



COUNCIL CHAMBERS

17555 PEAK AVENUE MORGAN HILL CALIFORNIA 95037

REDEVELOPMENT AGENCY

Dennis Kennedy, Chairperson
Steve Tate, Vice-Chairperson
Larry Carr, Agency Member
Mark Grzan, Agency Member
Greg Sellers, Agency Member

COUNCIL MEMBERS

Dennis Kennedy, Mayor
Steve Tate, Mayor Pro Tempore
Larry Carr, Council Member
Mark Grzan, Council Member
Greg Sellers, Council Member

WEDNESDAY, FEBRUARY 23, 2005

AGENDA

JOINT MEETING

REDEVELOPMENT AGENCY REGULAR MEETING

and

CITY COUNCIL SPECIAL MEETING

7:00 P.M.

***A Special City Council Meeting Is Called at 7:00 P.M. for the
Purpose of Conducting Closed Sessions and City Business.***

Dennis Kennedy, Chairperson/Mayor

CALL TO ORDER

(Chairperson/Mayor Kennedy)

ROLL CALL ATTENDANCE

(Agency Secretary/City Clerk Torrez)

DECLARATION OF POSTING OF AGENDA

Per Government Code 54954.2

(Agency Secretary/City Clerk Torrez)

7:00 P.M.

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

RECOGNITIONS

Community and Cultural Center Lighting Installation
Jon Maxey and Jim Tarp

Police Department's Child Friendly Interview Room Painting
Artist - Jane Edberg

PRESENTATIONS

Morgan Hill Community Foundation Annual Report
Dave Reisenauer

CITY COUNCIL SUBCOMMITTEE REPORTS

OTHER REPORTS

PUBLIC COMMENT

NOW IS THE TIME FOR COMMENTS FROM THE PUBLIC REGARDING ITEMS NOT ON THIS AGENDA.

(See notice attached to the end of this agenda.)

**PUBLIC COMMENTS ON ITEMS APPEARING ON THIS AGENDA WILL BE TAKEN AT THE TIME
THE ITEM IS ADDRESSED BY THE COUNCIL. PLEASE COMPLETE A SPEAKER CARD AND
PRESENT IT TO THE CITY CLERK.**

(See notice attached to the end of this agenda.)

**PLEASE SUBMIT WRITTEN CORRESPONDENCE TO THE CITY CLERK/AGENCY SECRETARY. THE
CITY CLERK/AGENCY SECRETARY WILL FORWARD CORRESPONDENCE TO THE CITY
COUNCIL/REDEVELOPMENT AGENCY.**

Redevelopment Agency Action

CONSENT CALENDAR:

ITEMS 1-3

The Consent Calendar may be acted upon with one motion, a second and the vote, by each respective Agency. The Consent Calendar items are of a routine or generally uncontested nature and may be acted upon with one motion. Pursuant to Section 5.1 of the City Council Rules of Conduct, any member of the Council or public may request to have an item pulled from the Consent Calendar to be acted upon individually.

Time Estimate

Page

Consent Calendar: 1 - 10 Minutes

- JANUARY 2005 REDEVELOPMENT AGENCY FINANCE & INVESTMENT REPORT7**
Recommended Action(s): Accept and File Report.

	Time Estimate	Page
	Consent Calendar: 1 - 10 Minutes	
2.	<u>PURCHASE AND SALE OF A BELOW MARKET RATE (BMR) PROPERTY</u>	16
	<u>Recommended Action(s):</u>	
1.	<u>Authorize</u> the Executive Director to Negotiate, Prepare and Execute the Necessary Documents with World Savings Bank, or its Agent, in an Amount not to Exceed \$210,000; Subject to Review and Approval of Agency Counsel;	
2.	<u>Authorize</u> the Executive Director to Use up to \$10,000 to Complete any Necessary Repairs for the Unit and to Cover any Escrow Closing Cost; and	
3.	<u>Authorize</u> the Executive Director to do Everything Necessary and Appropriate to Prepare and Execute the Agreements Required to Sell the Unit to an Eligible BMR Buyer in an Amount not to Exceed \$220,000 in Accordance with Program Guidelines.	
3.	<u>HABITAT FOR HUMANITY – HOUSING PROJECT</u>	17
	<u>Recommended Action(s): Approve</u> in Concept a Grant to Silicon Valley Habitat for Humanity, in an Amount not to Exceed \$560,000, for the Construction of a Six-Unit Affordable Ownership Housing Project.	

City Council Action

CONSENT CALENDAR:

ITEMS 4-8

	Time Estimate	Page
	Consent Calendar: 1 - 10 Minutes	
4.	<u>JANUARY 2005 CITY FINANCE & INVESTMENT REPORT</u>	18
	<u>Recommended Action(s): Accept</u> and <u>File</u> Report.	
5.	<u>TIME ESTABLISHED FOR CITY COUNCIL PUBLIC HEARINGS</u>	42
	<u>Recommended Action(s): Amend</u> City Council Policy, CP-98-02, Relating to the Established Time for City Council Public Hearings to Reflect a 7:00 P.M. Public Hearing Time, Effective April 2005.	
6.	<u>APPROVAL OF RESOLUTION PROVIDING JOB TITLES AND COMPENSATION FOR TEMPORARY/SEASONAL JOBS</u>	43
	<u>Recommended Action(s): Adopt</u> Resolution for Temporary/Seasonal Employees.	
7.	<u>APPROVE SPECIAL CITY COUNCIL CLOSED SESSION MEETING MINUTES OF FEBRUARY 9, 2005</u>	46
8.	<u>APPROVE SPECIAL CITY COUNCIL MEETING MINUTES OF FEBRUARY 9, 2005</u>	48

City Council and Redevelopment Agency Action

CONSENT CALENDAR:

ITEM 9

Time Estimate

Page

Consent Calendar: 1 - 10 Minutes

- | | | |
|----|---|----|
| 9. | <u>APPROVE SPECIAL AND REGULAR CITY COUNCIL AND SPECIAL REDEVELOPMENT AGENCY MEETING MINUTES OF FEBRUARY 2, 2005</u> | 52 |
|----|---|----|

City Council Action

PUBLIC HEARINGS:

Time Estimate

Page

- | | | | |
|-----|-------------------|--|----|
| 10. | 90 Minutes | <u>APPEAL OF RESIDENTIAL DEVELOPMENT CONTROL SYSTEM PROJECT EVALUATIONS</u> | 88 |
|-----|-------------------|--|----|

Public Hearing Opened.

Please Limit Your Remarks to 3 Minutes. Public Hearing Closed

Council Discussion.

Action-

- 1) **Conduct Public Hearings** for the Following Applications:

- a. **AP-05-01/MC-04-13: Barrett-Odishoo**
Appeal of the Planning Commission's Measure C evaluation for a proposed 36 unit residential development on 7.064 acres located at the south east corner of Barrett Avenue and Butterfield Boulevard. (APN 817-33-003)
- b. **AP-05-02/MC-04-12: E. Dunne-Dempsey**
Appeal of the Planning Commission's Measure C evaluation for a proposed 78 unit single-family development on 14.97 acres on the south side of East Dunne Avenue east of Butterfield Boulevard and west of San Benancio Way. (APN 817-11-046, 817-11-067)
- c. **AP-05-03/MC-04-08: Central-Delco**
Appeal of the Planning Commission's Measure C evaluation for a proposed 34 unit single-family development on 5.04 acres at the terminus of Calle Cerro at the southeast corner of Central Avenue and Butterfield Boulevard. (APN 726-22-051)
- d. **AP-05-04/MC-04-11: San Pedro-Delco**
Appeal of the Planning Commission's Measure C evaluation for a proposed 52 unit single-family development on 9.96 acres at north side of San Pedro Avenue and west of the southerly extension of Walnut Grove Drive. (APN 817-11-002)

- e. AP-05-05/MMC-04-07: Ginger-Custom One
Appeal of the Planning Commission's Measure C evaluation for a proposed six unit single family residential project on 1.43 acre parcel on the south side of an extension to Ginger Way, west of Taylor Avenue.
(APN 726-36-057)
- f. AP-05-06/MC-04-17: San Pedro-Alcini
Appeal of the Planning Commission's Measure C evaluation for a proposed 12 unit single family residential on a 1.65 acre parcel at the northwest corner of the intersection of San Pedro Avenue and Church Street.
(APN 817-01-001)
- g. AP-05-07/MC-04-21: Barrett-Syncon Homes
Appeal of the Planning Commission's Measure C evaluation for a proposed 52 unit residential development on 13.49 acres located on the north side of Barrett Avenue east of Butterfield Boulevard and west of San Ramon Drive.
(APN 817-59-060 and 817-57-001)
- h. AP-05-08/MC-04-04: Diana-Chan
Appeal of the Planning Commission's Measure C evaluation for a proposed 91 unit single family development on 34.4 acres at the south side of Diana Avenue east of Murphy Avenue and west of Hill Road.
(APNs 728-18-012, 728-19-001,002,003, 728-20-037,038)

Action-

- 2) **Adopt** Resolution Affirming/Modifying the Planning Commission Evaluation.

Redevelopment Agency Action

OTHER BUSINESS:

	Time Estimate		Page
11.	10 Minutes	<u>CASA DIANA MIXED-USE HOUSING PROJECT PREDEVELOPMENT LOAN</u>103 <u>Recommended Action(s):</u> 1. <u>Approve</u> the Concept for the Development of Casa Diana, a Transit-Oriented, Mixed-Use Housing-Commercial Project; and 2. <u>Authorize</u> the Executive Director to do Everything Necessary and Appropriate to Negotiate, Execute, and Implement a Predevelopment Loan Agreement in the Amount of \$50,000 with EAH, Inc.; Subject to Review and Approval of Agency Counsel.	
12.	10 Minutes	<u>PUBLIC ART AT THE MORGAN HILL TRAIN STATION</u>104 <u>Recommended Action(s):</u> <u>Commit</u> \$50,000 in Metropolitan Transportation Commission (MTC) "Transportation for Livable Communities" (TLC) Grant Funds to the Arts and Cultural Alliance of Morgan Hill (ACA) for a Bronze Sculpture Entitled "Waiting for the Train"; Contingent Upon the ACA Raising Matching Funds, in the Amount of \$52,000 Plus Site Preparation Costs, by March 1, 2006.	

City Council Action

OTHER BUSINESS:

	Time Estimate		Page
13.	10 Minutes	<u>AMENDMENT OF ORDINANCE NO. 1616, NEW SERIES REGARDING THARALDSON PLANNED UNIT DEVELOPMENT (PUD)</u>	105
		<u>Recommended Action(s):</u> <u>Direct</u> Staff to Proceed with an Amendment to the PUD to Allow In-N-Out Restaurant to Proceed without Requiring Construction of a Sit-Down Restaurant Prior to the Issuance of a Building Permit for In-N-Out; and <u>Consider Better Defining</u> the Term Sit-Down Restaurant.	
14.	15 Minutes	<u>CONSIDERATION OF COUNCIL'S 2005 GOALS</u>	106
		<u>Recommended Action(s):</u> <u>Review</u> Draft Goals, and Adopt or Revise as Appropriate.	

Redevelopment Agency Action and City Council Action

CLOSED SESSION:

1.

CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

Authority: Government Code Sections 54956.9(b) & (c)
Number of Potential Cases: 2

2.

CONFERENCE WITH LABOR NEGOTIATOR:

Authority: Government Code Section 54957.6
Agency Negotiators: City Manager; Human Resources Director
Employee Organizations: AFSCME Local 101
Morgan Hill Community Service Officers Association

OPPORTUNITY FOR PUBLIC COMMENT

ADJOURN TO CLOSED SESSION

RECONVENE

CLOSED SESSION ANNOUNCEMENT

FUTURE COUNCIL-INITIATED AGENDA ITEMS:

Note: in accordance with Government Code Section 54954.2(a), there shall be no discussion, debate and/or action taken on any request other than providing direction to staff to place the matter of business on a future agenda.

ADJOURNMENT



REDEVELOPMENT AGENCY
STAFF REPORT

MEETING DATE: *February 23, 2005*

JANUARY 2005 FINANCE & INVESTMENT REPORT

RECOMMENDED ACTION:

Accept and File Report

EXECUTIVE SUMMARY: Attached is the monthly Finance and Investment Report of the Redevelopment Agency of the City of Morgan Hill for the month of January 2005. The report covers activity for the first seven months of the 2004/2005 fiscal year. A summary of the report is included on the first page for the Board's benefit.

The Redevelopment Agency monthly Finance and Investment Report is presented to the Agency Board and our Citizens as part of our ongoing commitment to improve and maintain public trust through communication of our finances, budget and investments. The report also serves to provide the information necessary to determine the adequacy/stability of financial projections and develop equitable resource/revenue allocation procedures.

This report covers all fiscal activity of the Redevelopment Agency.

FISCAL IMPACT: As presented.

Agenda Item # 1

Prepared By:

Finance Director

Submitted By:

Executive director

**REDEVELOPMENT AGENCY OF
THE CITY OF MORGAN HILL**

Monthly Financial and Investment Reports

January 31, 2005 – 58% Year Complete



**CITY OF MORGAN HILL
REDEVELOPMENT AGENCY**

Prepared by:

FINANCE DEPARTMENT



REDEVELOPMENT AGENCY OF THE CITY OF MORGAN HILL, CALIFORNIA
FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2004/05
FOR THE MONTH OF JANUARY 2005 - 58% OF YEAR COMPLETE

Revenues

Through January 31, the Redevelopment Agency received \$7,827,213, or 48% of the budget, in property tax increment revenues. Most property tax increment revenues are received later in the year. The Redevelopment Agency, as of January 31, 2005, has collected \$100,000,000 in tax increment revenue under the original plan and has collected \$89,623,890, net of pass-through obligations to other agencies, toward the plan amendment cap of \$147,000,000. All tax increment revenues collected during 2004/2005 were collected under the plan amendment.

An amount of \$345,788 in interest earnings and other income was received through January 31. Additional interest earnings for January have not yet been apportioned, but will be apportioned in April 2005 following the quarter ended March 31.

Expenditures

Total Redevelopment Agency Capital Projects expenditures and encumbrances equaled \$7,532,467 and were 35% of budget. Of this total, \$2,452,849 represented encumbrances for capital projects and other commitments. If the encumbrances were excluded, the RDA would have spent only 24% of the budget. Expenditures for administrative costs for employee services, supplies, and contract services were 55% of budget. Through January 2005, CIP project expenditures totaled \$2,815,376, including \$289,189 for Tennant Avenue Widening, \$642,858 for the Indoor Recreation Center, \$405,045 for the Aquatics Center, and \$367,478 for 2003/04 Street Resurfacing.

Expenditures plus encumbrances for Housing were at 33% of the budget for a total of \$2,177,457.

All of the 2004/05 housing Redevelopment expenditures have been funded with tax increment collected under the plan amendment.

Fund Balance

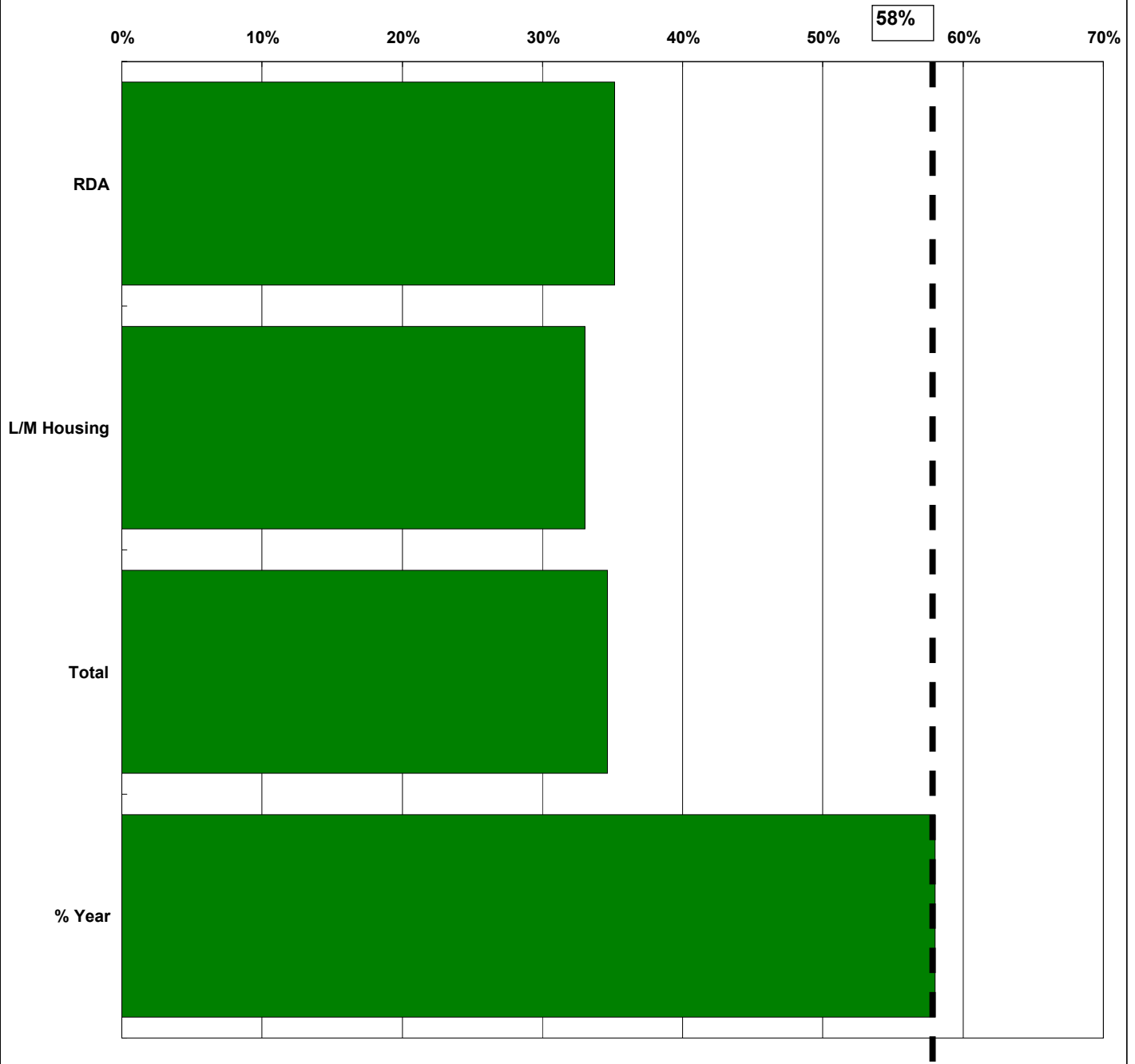
The unreserved fund balance of \$4,618,813 for the Capital Projects Fund at January 31, 2005, consisted entirely of monies collected under the plan amendment. The unreserved fund balance included future obligations to pay an additional \$2.7 million for the Courthouse Facility and \$1.61 million for the Lomanto property should the Agency agree to execute its option to purchase in accordance with the agreement. If all these future commitments were subtracted from the \$4,618,813, the remaining unreserved fund balance at January 31 would be a negative \$308,813. However, these commitments are expected to be paid out over the next 2 to 3 years. Property tax increment receipts in the near future will provide the resources necessary to carry the Agency through the remainder of this fiscal year. The Capital Projects Fund cash balance at January 31 was \$7,809,890.

The unreserved fund balance of \$7,118,821 for the Housing Fund at January 31 consisted of funds all collected under the plan amendment.



Redevelopment Agency YTD Expenditures

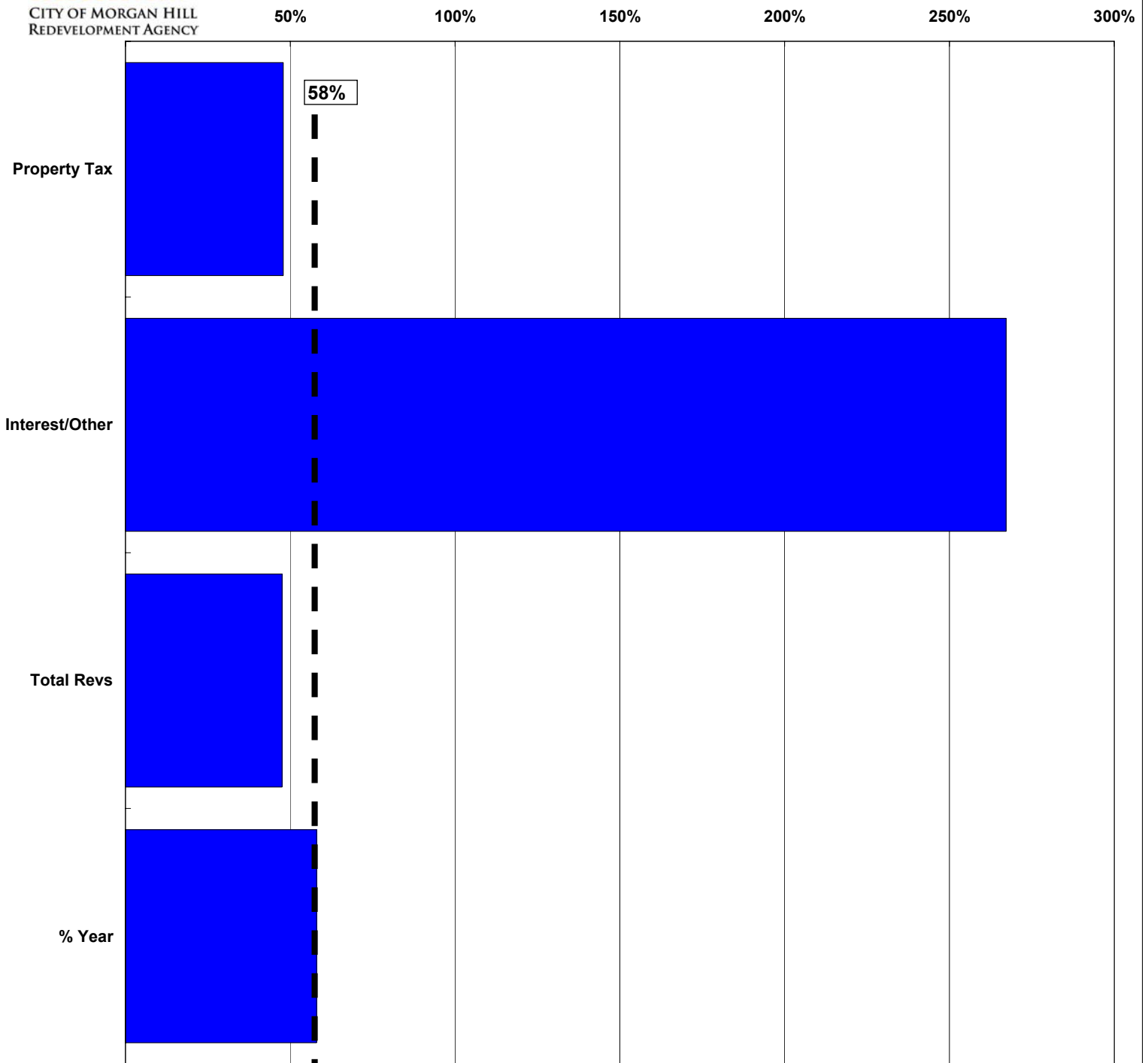
Percent of Actual to Budget



Expenditure Category	Budget	Actual Plus Encumbrances	% of Budget
CAPITAL PROJECTS	\$21,436,658	\$7,532,467	35%
HOUSING	6,589,093	2,177,457	33%
TOTALS	\$28,025,751	\$9,709,924	35%



Redevelopment Agency YTD Revenues



REVENUE CATEGORY	BUDGET	ACTUAL	% OF BUDGET	PRIOR YEAR TO DATE	% CHANGE FROM PRIOR YEAR
PROPERTY TAXES	\$21,786,218	\$10,436,509	48%	\$10,978,074	-5%
INTEREST INCOME/RENTS/OTHER	\$129,408	\$345,788	267%	\$217,410	59%
TOTALS	\$22,694,602	\$10,782,297	48%	\$11,195,484	-4%



Redevelopment Agency
 Fund Balance Report - Fiscal Year 2004/05
 For the Month of January 2005
 58% of Year Complete

Fund No.	Fund	Unaudited Fund Balance 06-30-04	Revenues		Expenditures		Year to-Date Deficit or Carryover	Ending Fund Balance		Cash and Investments	
			YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved ¹	Unreserved	Unrestricted	Restricted
317	CAPITAL PROJECTS	\$3,864,214	8,358,115	47%	5,079,618	24%	3,278,497	2,523,898	4,618,813	\$7,809,890	
327/328	HOUSING	\$6,872,096	2,424,182	50%	2,133,639	32%	290,543	43,818	\$7,118,821	\$837,946	
TOTAL CAPITAL PROJECT FUNDS		\$10,736,310	10,782,297	48%	7,213,257	26%	3,569,040	2,567,716	11,737,634	8,647,836	
SUMMARY BY FUND TYPE											
	CAPITAL PROJECTS GROUP	\$10,736,310	10,782,297	48%	7,213,257	26%	3,569,040	2,567,716	11,737,634	8,647,836	
TOTAL ALL GROUPS		\$10,736,310	10,782,297	48%	7,213,257	26%	3,569,040	2,567,716	11,737,634	8,647,836	
TOTAL CASH AND INVESTMENTS										8,647,836	

¹ Amount reserved for encumbrances, fixed asset replacement, long-term receivables



Redevelopment Agency
Year to Date Revenues - Fiscal Year 2004/05
For the Month of January 2005
58% of Year Complete

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGETED	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCREASE (DECREASE) FROM PRIOR YTD	% CHANGE
CAPITAL PROJECTS FUNDS							
317 CAPITAL PROJECTS							
Property Taxes & Supplemental Roll	17,048,868	17,048,868	8,117,798	48%	8,782,459	(664,661)	-8%
Development Agreements			-	n/a	-	-	n/a
Interest Income, Rents	17,031	17,031	86,800	510%	122,746	(35,946)	-29%
Other Agencies/Current Charges	-	778,976	153,517	n/a	20,970	132,547	632%
TOTAL CAPITAL PROJECTS	17,065,899	17,844,875	8,358,115	47%	8,926,175	(568,060)	-6%
327/328 HOUSING							
Property Taxes & Supplemental Roll	4,737,350	4,737,350	2,318,711	49%	2,195,615	123,096	6%
Interest Income, Rent	112,277	112,277	104,751	93%	72,681	32,070	44%
Other	100	100	720	720%	1,013	(293)	-29%
TOTAL HOUSING	4,849,727	4,849,727	2,424,182	50%	2,269,309	154,873	7%
TOTAL CAPITAL PROJECTS FUNDS	21,915,626	22,694,602	10,782,297	48%	11,195,484	(413,187)	-4%



Redevelopment Agency
Year to Date Expenditures - Fiscal Year 2004/05
For the Month of January 2005
58% of Year Complete

FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENDITURES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENDITURES	OUTSTANDING ENCUMBRANCES	TOTAL ALLOCATED	% OF TOTAL TO BUDGET
317 CAPITAL PROJECTS								
	BAHS Administration	100,081	1,545,675	1,596,269	724,222	158,851	883,073	55%
	BAHS Economic Development	105,237	3,125,435	4,276,939	1,540,020	280,162	1,820,182	43%
	BAHS CIP	<u>352,890</u>	<u>8,782,152</u>	<u>15,563,450</u>	<u>2,815,376</u>	<u>2,013,836</u>	<u>4,829,212</u>	<u>31%</u>
	TOTAL CAPITAL PROJECTS	<u>558,208</u>	<u>13,453,262</u>	<u>21,436,658</u>	<u>5,079,618</u>	<u>2,452,849</u>	<u>7,532,467</u>	<u>35%</u>
327 AND 328 HOUSING								
	Housing	<u>112,325</u>	<u>5,824,189</u>	<u>6,589,093</u>	<u>2,133,639</u>	<u>43,818</u>	<u>2,177,457</u>	<u>33%</u>
	TOTAL HOUSING	<u>112,325</u>	<u>5,824,189</u>	<u>6,589,093</u>	<u>2,133,639</u>	<u>43,818</u>	<u>2,177,457</u>	<u>33%</u>
	TOTAL CAPITAL PROJECT FUND	670,533	19,277,451	28,025,751	7,213,257	2,496,667	9,709,924	35%



Redevelopment Agency of the City of Morgan Hill
Balance Sheet Report - Fiscal Year 2004/05
For the Month of January 2005
58% of Year Complete

	CAPITAL PROJECTS (Fund 317)	Housing (Fund 327/328)
ASSETS		
Cash and investments:		
Unrestricted	7,809,890	7,297,820
Accounts Receivable	402	32,959
Loans Receivable ¹	3,600,554	28,389,173
Advance to Other Funds		
Fixed Assets ²	71,049	
Other Assets		
Total Assets	11,481,895	35,719,952
LIABILITIES		
Accounts Payable and Accrued Liabilities	713,465	27,189
Deferred Revenue ³	3,625,719	28,530,124
Accrued Vacation and Comp Time		
Total liabilities	4,339,184	28,557,313
FUND BALANCE		
Fund Balance		
Reserved for:		
Encumbrances	2,452,849	43,818
Advance to Other Funds		
Properties Held for Resale	71,049	
Loans and Notes Receivable		
Total Reserved Fund balance	2,523,898	43,818
Unreserved Fund Balance	4,618,813	7,118,821
Total Fund Balance	7,142,711	7,162,639
Total Liabilities and Fund Balance	11,481,895	35,719,952

¹ Includes Housing Rehab loans and loans for several housing and Agency projects.

² Includes RDA properties held for resale.

³ Includes the deferred payment portion of the loans noted above.



REDEVELOPMENT AGENCY

MEETING DATE: *February 23, 2005*

Agenda Item # 2

Prepared By:

Hsng. Prog. Coordinator

Approved By:

BAHS Director

Submitted By:

Executive Director

PURCHASE AND SALE OF A BMR PROPERTY

RECOMMENDED ACTION(S):

Authorize the Executive Director to:

- 1) Negotiate, prepare, and execute the necessary documents with World Savings Bank, or its agent, subject to Agency Counsel review, in an amount not to exceed \$210,000.
- 2) Use up to \$10,000 to complete any necessary repairs for the unit and to cover any escrow closing cost.
- 3) To do everything necessary and appropriate to prepare and execute the agreements required to sell the unit to an eligible BMR buyer in an amount not to exceed \$220,000 in accordance with program guidelines.

EXECUTIVE SUMMARY: On March 29, 1996 the home at 324 Via Navona was sold to Tanya Knaus, an eligible BMR buyer. In December 2003 a complaint was received reporting that the homeowner had ceased to occupy the BMR home and had renters move in. Upon follow-up, the homeowner acknowledged the use of the home as a rental and indicated an inability to re-occupy the home. While in the process of identifying an eligible BMR buyer, it was discovered that she had over-encumbered the property. A Notice of Violation was issued and the matter referred to legal counsel. Legal counsel has negotiated a settlement and the Bank is prepared to close escrow on/about March 4, 2005. Shortly thereafter, the property will be repaired as needed, an eligible BMR buyer will be identified and the property sold as per program guidelines. Upon the close of escrow, the funds derived from the sale will be placed into the 327 Fund.

FISCAL IMPACT: Monies for the purchase are available in the BAHS Housing budget (327).



REDEVELOPMENT AGENCY

MEETING DATE: *February 23, 2005*

Agenda Item # 3

Prepared By:

Hsng. Prog. Coordinator

Approved By:

BAHS Director

Submitted By:

Executive Director

HABITAT FOR HUMANITY – HOUSING PROJECT

RECOMMENDED ACTION(S): Approve in concept a grant to Silicon Valley Habitat for Humanity, in an amount not to exceed \$400,000, for the construction of a six-unit affordable ownership housing project.

EXECUTIVE SUMMARY: The site for this six-unit project is a .54 acre parcel located on Cory Drive and San Luis Way (See Map). Originally, this six-unit project was part of a larger 37-unit project approved in 1991. However, the developer only completed the construction on 31 of the units in 1997 and failed to construct the last six dwellings. The last 6 homes included 4 affordable rentals and 2 open market homes. Under Measure P/C, there is an allocation for partially completed projects. This project has six allocations for 2004/2005.

Silicon Valley Habitat for Humanity (Habitat) proposes to construct six (6) affordable ownership units on the site for very low income households (four person households earning up to \$53,050). Habitat has built similar units in Silicon Valley. The funds from the Redevelopment Agency are to be utilized to purchase the land, pay impact fees, processing fees, and escrow fees (see attached letter). The homes will have deed restrictions for a 45-year period. During the initial 30 years, Habitat has the first Option to Purchase and Agency will also have the right to purchase in the event Habitat elects not to exercise its option to purchase. For the remaining 15 years, only the Agency will have the option to purchase. The option price is based on the amount equal to the sum of the monthly principal payments made by the owner on the First Deed of Trust. This conceptual approval will allow Habitat to pursue the purchase of the property. Staff anticipates bringing the loan documents to the Agency for approval in April 2005.

FISCAL IMPACT: Monies for the grant are available in the FY 04-05 BAHS Housing budget (327).



CITY COUNCIL STAFF REPORT

MEETING DATE: February 23, 2005

JANUARY 2005 FINANCE & INVESTMENT REPORT

RECOMMENDED ACTION:

Accept and File Report

EXECUTIVE SUMMARY:

Attached is the monthly Finance and Investment Report for the period ended January 31, 2005. The report covers the first seven months of activity for the 2004/2005 fiscal year. A summary of the report is included on the first page for the City Council's benefit.

The monthly Finance and Investment Report is presented to the City Council and our Citizens as part of our ongoing commitment to improve and maintain public trust through communication of our finances, budget and investments. The report also serves to provide the information necessary to determine the adequacy/stability of financial projections and develop equitable resource/revenue allocation procedures.

This report covers all fiscal activity in the City, including the Redevelopment Agency. The Redevelopment Agency receives a separate report for the fiscal activity of the Agency at the meeting of the Agency. Presenting this report is consistent with the goal of *Maintaining and Enhancing the Financial Viability of the City*.

FISCAL IMPACT: as presented

Agenda Item # 4

Prepared By:

Finance Director

Submitted By:

City Manager

CITY OF MORGAN HILL
Monthly Financial and Investment Reports
January 31, 2005 – 58% Year Complete



CITY OF MORGAN HILL

Prepared by:
FINANCE DEPARTMENT



CITY OF MORGAN HILL, CALIFORNIA
FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2004/05
FOR THE MONTH OF JANUARY 2005 - 58% OF YEAR COMPLETE

This analysis of the status of the City's financial situation reflects 58% of the year. However, this analysis is somewhat limited. For some revenue sources, such as transient occupancy taxes and franchise fees, only limited amounts have been received as of this time of the year.

- * **General Fund** - The *revenues* received in the General Fund were approximately 58% of the budgeted revenues. A total of 81% of budgeted property related taxes have been received by the City, which is 52% more than the amount received in the prior year as of this date. This higher amount reflects property tax revenues received as a replacement for most of the Motor Vehicle-in-lieu fees lost because of State funding changes. The amount of Sales Tax collected was 62% of the sales tax revenue budget and 18% more than the amount received for the prior year. Sales tax receipts have been impacted, as of September 2004, because the State, under the triple flip legislation, began to send the City at that time only $\frac{3}{4}$ of the 1% in sales taxes that the City is entitled to. Installments estimated to equal the remaining $\frac{1}{4}$ % of sales taxes, for the period September 2004 through June 2005, are scheduled to be distributed by Santa Clara County for the 2004/05 fiscal year in January and May 2005. The January installment was received and is included in the sales tax revenues. Business license and other permit collections were 75% of the budgeted amount. Motor Vehicle-in-Lieu revenues were \$157,373. The amount of Motor Vehicle-in-Lieu fees dropped significantly in this fiscal year, consistent with State budget revenue revisions, and are being mostly compensated for through higher property tax allocations from Santa Clara County, as described above. Interest & Other Revenue were 66% of budget and do not reflect January interest earnings that will be posted in April 2005 as part of earnings for the quarter ended March 31.
- * The General Fund *expenditures* and *encumbrances* to date totaled 61% of the budgeted appropriations. If the \$400,870 in encumbrances were excluded, 59% of the budget would have been expended. The higher costs are primarily related to the timing of Aquatics and legal expenditures. Staff brought mid-year budget adjustments to the City Council in early February to request necessary changes in the current budget. The outstanding encumbrances in several activities are encumbrances for projects started but not completed in the prior year and carried forward to the current fiscal year.
- * **Transient Occupancy (Hotel) Tax** - The TOT rate is 10%. The City receives transient occupancy taxes on a quarterly basis. Taxes for the first two quarters, through December 31, amounted to \$473,090. However if TOT revenues received in early February for the second quarter are included, TOT revenue would be \$483,174, or 10% more than the amount received by the City in the prior year. Taxes for the third quarter ending March 31 are not due until late April and have therefore not yet been collected.
- * **Community Development** - Revenues were 84% of budget, which was 37% more than the amount collected in the like period for the prior year. Compared to the prior year, planning and engineering fees this year were higher and building fees were lower. Planning expenditures plus encumbrances were 62% of budget; Building has expended or encumbered 57% of budget and Engineering 54%. Community Development has expended or encumbered a combined total of 58% of the 2004/05 budget, including \$293,512 in encumbrances. If encumbrances were excluded, Community Development would have spent only 49% of the combined budget.



CITY OF MORGAN HILL, CALIFORNIA
FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2004/05
FOR THE MONTH OF JANUARY 2005 - 58% OF YEAR COMPLETE

- * **RDA and Housing** – An amount of \$10,436,509, or 48% of the budget, in property tax increment revenues has been received as of January 31, 2005. Most tax increment dollars are received later in the year. Expenditures plus encumbrances totaled 35% of budget. If encumbrances totaling \$2,496,667 were excluded, the RDA would have spent 26% of the combined budget.

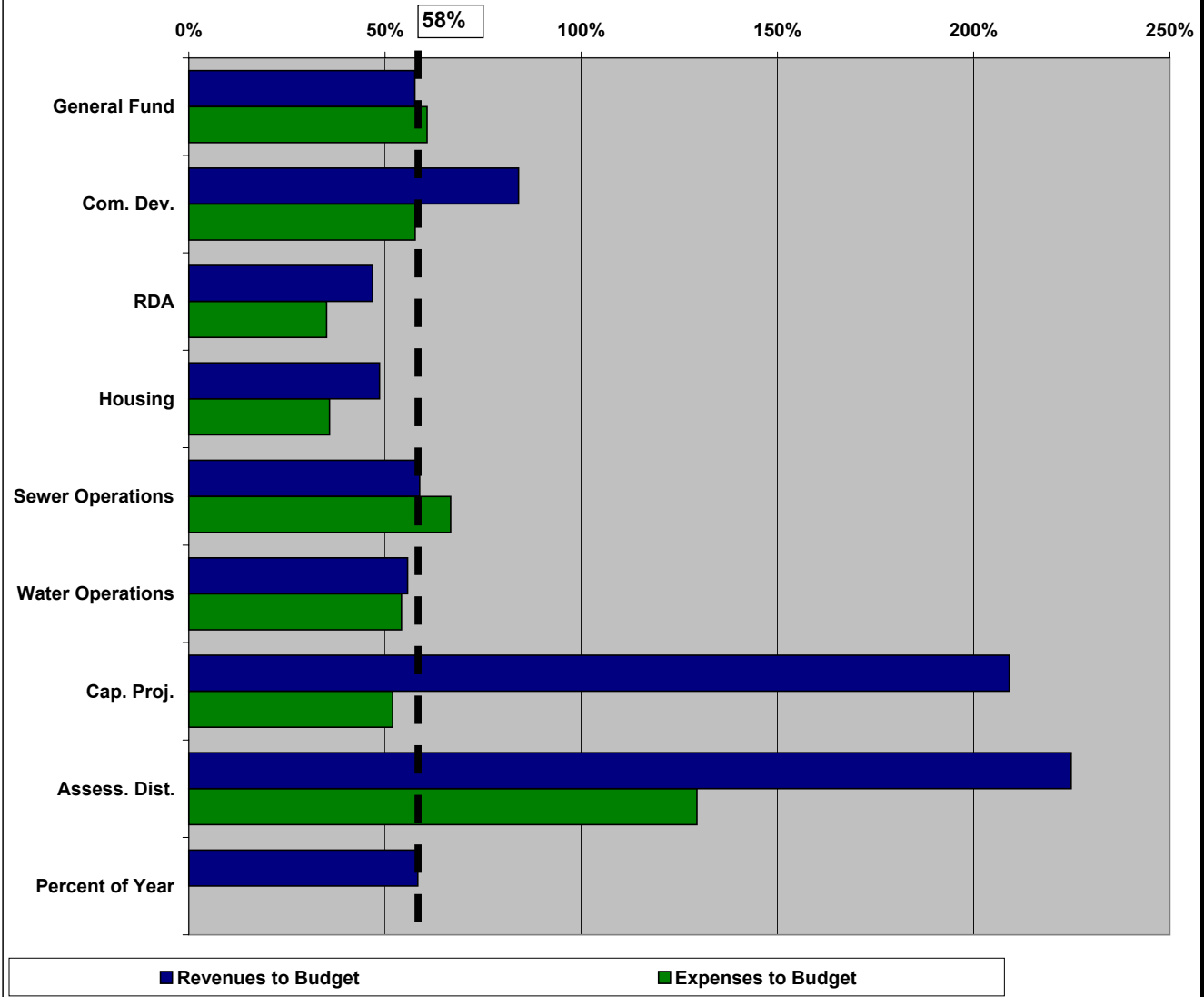
- * **Water and Sewer Operations-** Water Operations revenues, including service fees, were 56% of budget. Expenditures totaled 54% of appropriations. Sewer Operations revenues, including service fees, were 59% of budget. Expenditures for sewer operations were 67% of budget. This higher percentage resulted from a large debt service payments on debt service made in July and January.

- * **Investments maturing/called/sold during this period.** – During the month of January, \$2 million was invested in Federal Agency investments. Further details of all City investments are contained on pages 6-8 of this report.



Morgan Hill YTD Revenue & Expense Summary

January 31, 2005 – 58% Year Complete



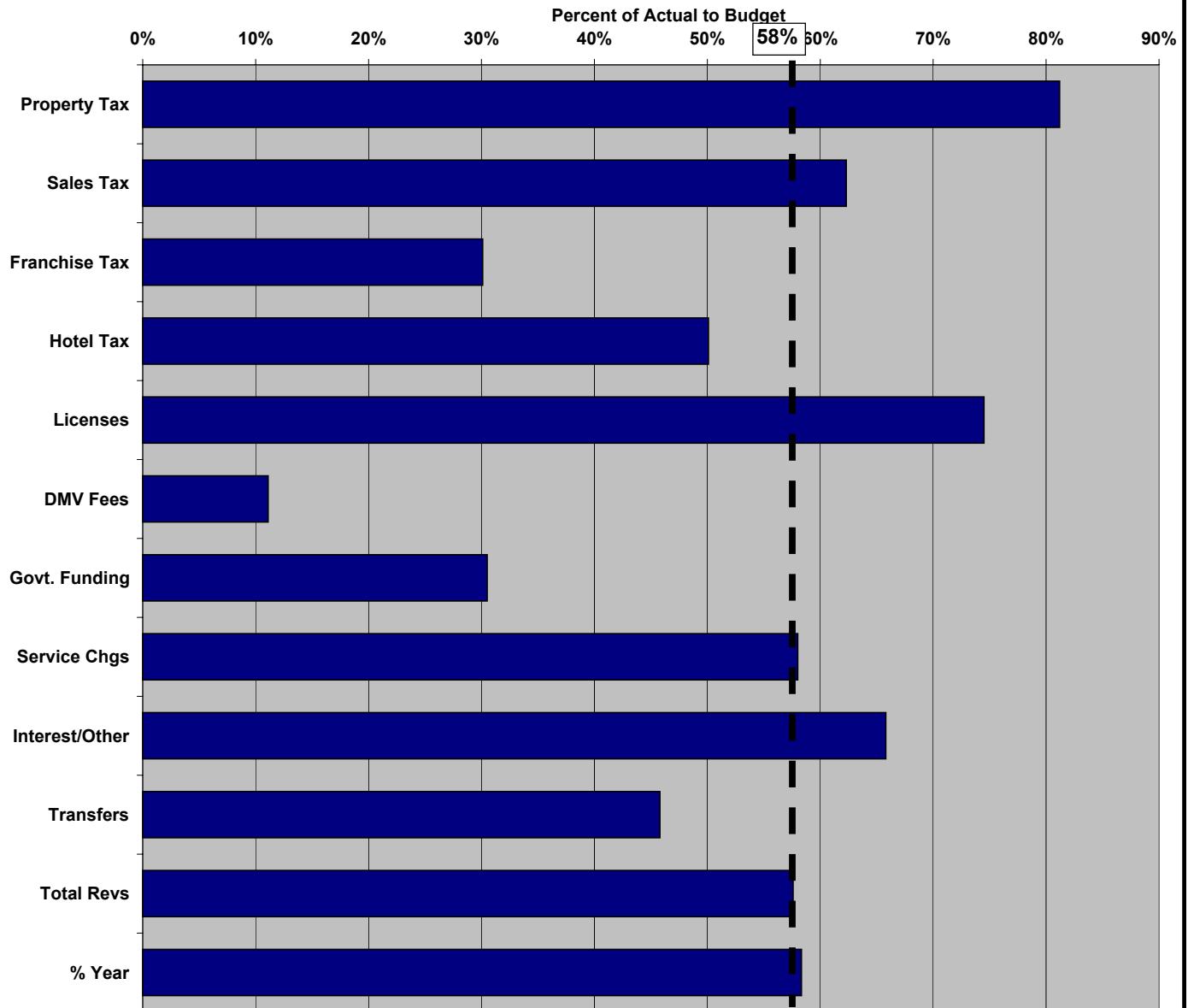
FUND NAME	REVENUES		EXPENSES		1/31/2005 UNRESTRICTED FUND BALANCE
	ACTUAL	% OF BUDGET	ACTUAL plus ENCUMBRANCES	% OF BUDGET	
General Fund	\$9,699,259	58%	\$11,539,919	61%	\$9,057,710
Community Development	2,300,074	84%	1,969,260	58%	1,813,219
RDA	8,358,115	47%	7,532,467	35%	4,618,813
Housing/CDBG	2,442,353	49%	2,312,648	36%	6,644,702
Sewer Operations	3,312,173	59%	4,355,647	67%	2,409,960
Sewer Other	1,274,505	97%	1,414,761	27%	12,254,277
Water Operations	4,827,549	56%	4,343,112	54%	3,747,742
Water Other	8,050,838	129%	1,530,017	20%	3,455,058
Other Special Revenues ¹	689,031	84%	944,109	42%	3,328,671
Capital Projects & Streets Funds	10,956,952	209%	10,084,291	52%	24,421,944
Debt Service Funds	725,553	225%	302,659	129%	821,954
Internal Service	2,911,591	56%	2,805,220	57%	5,078,562
Agency	1,558,543	61%	1,586,164	64%	3,872,145
TOTAL FOR ALL FUNDS	\$57,106,536	73%	\$50,720,274	47%	\$81,524,757

¹ Includes all Special Revenue Funds except Community Development, CDBG, and Street Funds



Morgan Hill YTD General Fund Revenues

January 31, 2005 – 58% Year Complete

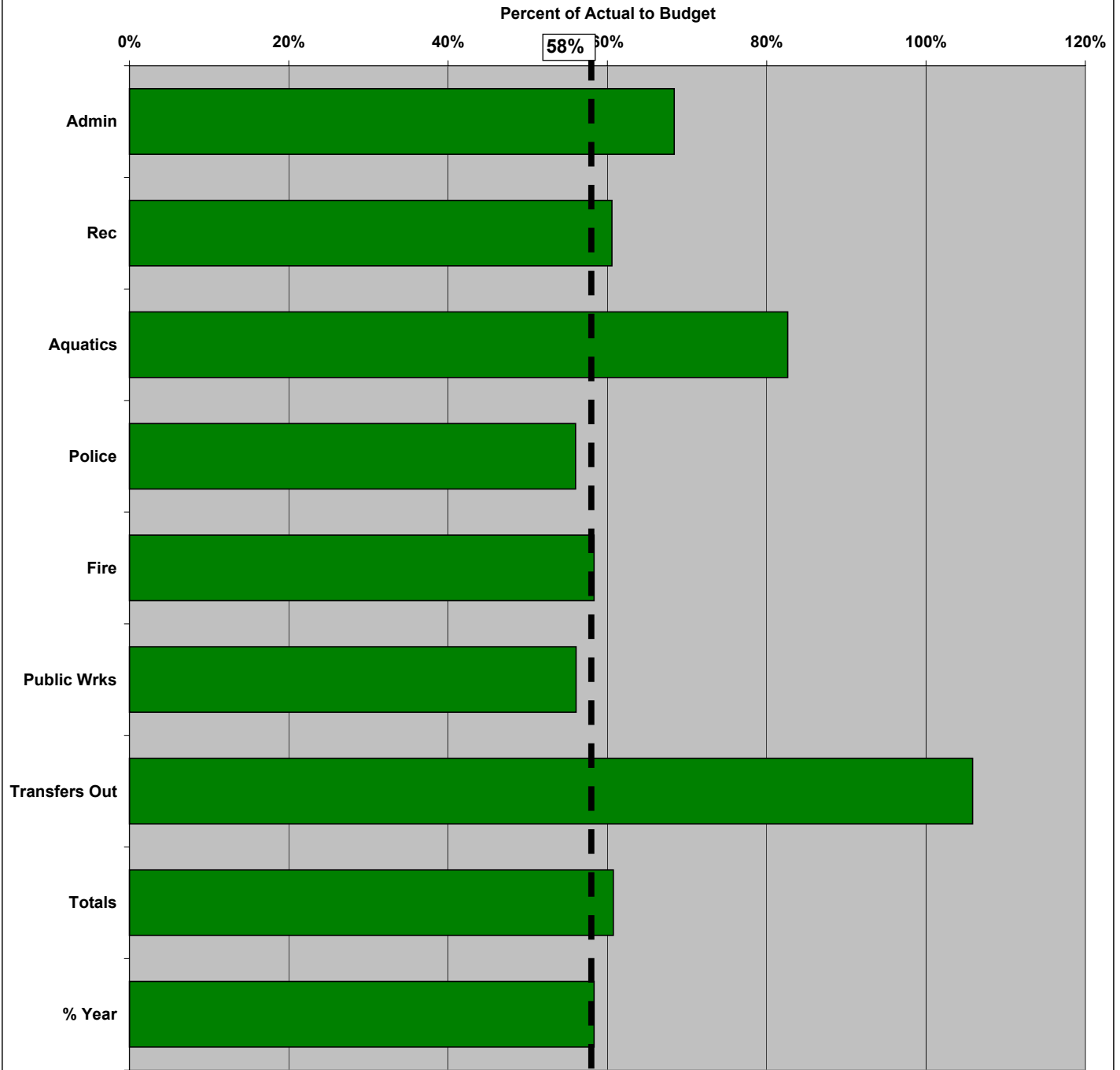


REVENUE CATEGORY	BUDGET	ACTUAL	% OF BUDGET	PRIOR YEAR TO DATE	% CHANGE FROM PRIOR YEAR
PROPERTY RELATED TAXES	\$3,328,396	\$2,701,071	81%	\$1,775,239	52%
SALES TAXES	\$4,852,000	\$3,020,449	62%	\$2,562,716	18%
FRANCHISE FEE	\$965,000	\$290,105	30%	\$277,386	5%
HOTEL TAX	\$945,000	\$473,090	50%	\$437,952	8%
LICENSES/PERMITS	\$201,720	\$150,229	75%	\$171,723	-13%
MOTOR VEHICLE IN LIEU	\$1,423,800	\$157,373	11%	\$703,158	-78%
FUNDING - OTHER GOVERNMENTS	\$304,400	\$92,780	31%	\$148,325	-37%
CHARGES CURRENT SERVICES	\$3,535,076	\$2,049,336	58%	\$1,450,944	41%
INTEREST & OTHER REVENUE	\$881,461	\$580,101	66%	\$449,707	29%
TRANSFERS IN	\$403,100	\$184,725	46%	\$461,667	-60%
TOTALS	\$16,839,953	\$9,699,259	58%	\$8,438,817	15%



Morgan Hill YTD General Fund Expenditures

January 31, 2005 – 58% Year Complete



Expenditure Category	Budget	Actual Plus Encumbrances	% of Budget
ADMINISTRATION	4,489,819	2,109,739	68%
RECREATION	285,551	988,430	61%
AQUATICS	1,179,260	974,502	83%
POLICE	8,015,630	4,488,523	56%
FIRE	4,194,617	2,446,831	58%
PUBLIC WORKS	706,957	396,403	56%
TRANSFERS OUT	128,002	135,491	106%
TOTALS	\$ 18,999,836	\$ 11,539,919	61%



City of Morgan Hill
Fund Activity Summary - Fiscal Year 2004/05
For the Month of January 2005
58% of Year Completed

Fund No.	Fund	Fund Balance 06-30-04	Revenues		Expenses		Year to-Date Deficit or Carryover	Ending Fund Balance		Cash and Investments	
			YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved ¹	Unreserved	Unrestricted	Restricted ²
010	GENERAL FUND	\$10,898,370	\$9,699,259	58%	\$11,139,049	59%	(\$1,439,790)	\$400,870	\$9,057,710	\$9,553,883	\$6,150
TOTAL GENERAL FUND		\$10,898,370	\$9,699,259	58%	\$11,139,049	59%	(\$1,439,790)	\$400,870	\$9,057,710	\$9,553,883	\$6,150
202	STREET MAINTENANCE	\$1,454,752	\$964,984	64%	\$1,028,752	46%	(\$63,768)	\$399,198	\$991,786	\$1,344,941	
204/205	PUBLIC SAFETY/SUPPL. LAW	\$321,965	\$103,743	98%	\$102,387	58%	\$1,356		\$323,321	\$323,320	
206	COMMUNITY DEVELOPMENT	\$1,482,405	\$2,300,074	84%	\$1,675,748	49%	\$624,326	\$293,512	\$1,813,219	\$2,158,568	
207	GENERAL PLAN UPDATE	\$231,849	\$76,872	96%	\$21,690	15%	\$55,182	\$207,529	\$79,502	\$287,232	
210	COMMUNITY CENTER	\$99,678	\$30,487	58%		n/a	\$30,487		\$130,165	\$130,165	
215 / 216	CDBG	\$127,519	\$18,171	10%	\$57,514	9%	(\$39,343)	\$62,295	(\$474,119)	\$91,332	
225	ASSET SEIZURE	\$38,956	\$16,891	1656%	\$35,519	n/a	(\$18,628)	\$1,402	\$18,926	\$20,328	
229	LIGHTING AND LANDSCAPE	(\$1,173)	\$70,111	54%	\$83,466	60%	(\$13,355)	\$42,400	(\$56,928)	(\$13,972)	
232	ENVIRONMENTAL PROGRAMS	\$675,334	\$220,033	55%	\$163,580	31%	\$56,453	\$53,645	\$678,142	\$735,236	
234	MOBILE HOME PK RENT STAB.	\$168,580	\$7,200	140%	\$10,302	5%	(\$3,102)	\$185,931	(\$20,453)	\$164,360	
235	SENIOR HOUSING	\$252,691	\$2,979	54%	\$1,470	7%	\$1,509		\$254,200	\$254,200	
236	HOUSING MITIGATION	\$1,141,855	\$133,997	1114%	-		\$133,997	-	\$1,275,852	\$1,275,852	
240	EMPLOYEE ASSISTANCE	\$80,549	\$20,002	69%	31,323	125%	(\$11,321)		\$69,228	\$68,257	
247	ENVIRONMENT REMEDIATION	\$570,000	6,716	n/a			\$6,716		\$576,716	\$576,716	
TOTAL SPECIAL REVENUE FUNDS		\$6,644,960	\$3,972,260	76%	\$3,211,751	37%	\$760,509	\$1,745,912	\$5,659,557	\$7,416,536	
301	PARK DEV. IMPACT FUND	\$3,539,104	\$647,741	112%	\$59,581	2%	\$588,160	\$124,060	\$4,003,204		\$4,127,264
302	PARK MAINTENANCE	\$3,047,206	\$387,932	152%	\$31,250	21%	\$356,682		\$3,403,888	\$3,403,888	
303	LOCAL DRAINAGE	\$3,027,986	\$418,859	172%	\$896	0%	\$417,963		\$3,445,949		\$3,445,949
304	LOCAL DRAINAGE/NON-AB1600	\$3,249,120	\$187,618	128%	\$25,706	3%	\$161,912		\$3,411,032	\$3,311,032	
306	OPEN SPACE	\$699,078	\$218,468	132%	492		\$217,976	\$10,000	\$907,054	\$917,053	
309	TRAFFIC IMPACT FUND	\$3,119,744	\$555,320	85%	\$309,833	15%	\$245,487	\$537,297	\$2,827,934		\$3,350,669
311	POLICE IMPACT FUND	\$83,370	\$106,154	268%	\$67,561	69%	\$38,593	\$10,000	\$111,963		\$121,964
313	FIRE IMPACT FUND	\$2,333,569	\$104,081	75%	\$805	1%	\$103,276	\$9,101	\$2,427,744		\$2,436,845
317	REDEVELOPMENT AGENCY	\$3,864,214	\$8,358,115	47%	\$5,079,618	24%	\$3,278,497	\$2,523,898	\$4,618,813	\$7,809,890	
327 / 328	HOUSING	\$6,872,096	\$2,424,182	50%	\$2,133,639	32%	\$290,543	\$43,818	\$7,118,821	\$7,297,821	
340/342	MORGAN HILL BUS.RANCH I & II	\$104,826	\$1,108	49%	66,554		(\$65,446)	-	\$39,380	\$39,380	
346	PUBLIC FACILITIES NON-AB1600	\$936,101	\$7,033,417	1118%	6,917,942		\$115,475	\$447,217	\$604,359	\$837,946	
347	PUBLIC FACILITIES IMPACT FUND	\$314,545	\$77,750	104%	\$796	7%	\$76,954	\$9,750	\$381,749		\$351,633
348	LIBRARY IMPACT FUND	\$490,953	\$55,309	11%	\$118	0%	\$55,191		\$546,144		\$546,145
350	UNDERGROUNDING	\$1,140,023	161,209	66%	\$1,227	0%	\$159,982	\$36,155	\$1,263,850	\$1,303,408	
360	COMM/REC CTR IMPACT FUND	\$18,906	37,002	66%		0%	\$37,002		\$55,908	\$55,908	
TOTAL CAPITAL PROJECT FUNDS		\$32,840,841	\$20,774,265	79%	\$14,696,018	33%	\$6,078,247	\$3,751,296	\$35,167,792	\$24,976,327	\$14,380,470
441	POLICE FACILITY BOND DEBT		578,571	n/a	122,347		\$456,224		\$456,224		\$456,260
545	COCHRANE BUSINESS PARK	\$375,254	106,599	98%	149,272	78%	(\$42,673)		\$332,581	\$151,632	\$180,950
551	JOLEEN WAY	\$23,806	\$40,383	98%	\$31,040	78%	\$9,343		\$33,149	\$15,900	\$17,250
TOTAL DEBT SERVICE FUNDS		\$399,060	\$725,553	225%	\$302,659	129%	\$422,894		\$821,954	\$167,532	\$654,460



City of Morgan Hill
Fund Activity Summary - Fiscal Year 2004/05
For the Month of January 2005
58% of Year Completed

Fund No.	Fund	Fund Balance 06-30-04	Revenues		Expenses		Year to-Date Deficit or Carryover	Ending Fund Balance		Cash and Investments	
			YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved ¹	Unreserved	Unrestricted	Restricted ²
640	SEWER OPERATIONS	\$14,685,816	\$3,312,173	59%	\$4,246,278	65%	(\$934,105)	\$11,341,751	\$2,409,960	\$2,119,828	\$1,893,855
641	SEWER IMPACT FUND	\$9,717,249	\$1,198,248	100%	\$545,342	14%	\$652,906	4,102,148	\$6,268,007		\$6,425,859
642	SEWER RATE STABILIZATION	\$3,975,411	\$46,797	56%	\$1,235	58%	\$45,562		\$4,020,973	\$4,020,973	
643	SEWER-CAPITAL PROJECTS	\$9,822,474	\$29,460	81%	\$601,824	49%	(\$572,364)	7,284,813	\$1,965,297	\$2,176,392	
650	WATER OPERATIONS	\$23,500,560	\$4,827,549	56%	\$3,840,011	44%	\$987,538	\$20,740,356	\$3,747,742	\$3,633,298	\$406,576
651	WATER IMPACT FUND	\$4,150,949	\$5,684,440	109%	\$748,879	18%	\$4,935,561	9,458,873	(\$372,364)		\$4,843,045
652	WATER RATE STABILIZATION	\$26,627	\$311	70%	\$288	58%	\$23		\$26,650	\$26,650	
653	WATER -CAPITAL PROJECT	\$9,372,760	\$2,366,087	233%	\$396,817	13%	\$1,969,270	7,541,260	\$3,800,772	\$4,120,079	\$1,204,799
TOTAL ENTERPRISE FUNDS		\$75,251,846	\$17,465,065	80%	\$10,380,674	38%	\$7,084,391	\$60,469,201	\$21,867,037	\$16,097,221	\$14,774,134
730	DATA PROCESSING	\$472,435	\$183,758	66%	\$201,039	45%	(\$17,281)	340,757	\$114,397	\$422,688	
740	BUILDING MAINTENANCE	\$726,398	\$964,022	58%	\$743,500	55%	\$220,522	25,534	\$921,386	\$981,213	
745	CIP ADMINISTRATION	\$52,654	\$662,683	47%	\$663,199	46%	(\$516)	51,090	\$1,048	\$122,105	
760	UNEMPLOYMENT INS.	\$47,278	\$30,243	50%	\$25,827	47%	\$4,416		\$51,694	\$51,695	
770	WORKER'S COMP.	\$5,634	\$551,261	63%	\$358,517	45%	\$192,744	-	\$198,378	\$865,061	\$40,000
790	EQUIPMENT REPLACEMENT	\$3,375,628	\$212,637	55%	\$20,910	9%	\$191,727	543,401	\$3,023,954	\$3,023,954	
793	CORPORATION YARD	\$283,120	\$47,856	35%	\$76,864	44%	(\$29,008)	240,230	\$13,882	\$20,100	
795	GEN'L LIABILITY INS.	\$810,702	\$259,131	57%	\$316,010	74%	(\$56,879)		\$753,823	\$894,106	
TOTAL INTERNAL SERVICE FUNDS		\$5,773,849	\$2,911,591	56%	\$2,405,866	49%	\$505,725		\$5,078,562	\$6,380,921	\$40,000
820	SPECIAL DEPOSITS									\$1,242,316	
841	M.H. BUS.RANCH A.D.	\$381,939	\$275,322	n/a	\$299,893	n/a	(\$24,571)		\$357,368	\$357,368	
842	M.H. BUS. RANCH II A.D.	\$32,149	24,405	n/a	\$31	n/a	\$24,374		\$56,523	\$56,523	
843	M.H. BUS. RANCH 1998	\$1,296,650	\$460,955	54%	\$587,643	66%	(\$126,688)		\$1,169,962	\$281,019	\$888,944
844	MH RANCH RSMNT 2004A	\$186,838	\$304,012		\$93,468	16%	\$210,544		\$397,382	(\$4,541)	\$401,924
845	MADRONE BP-TAX EXEMPT	\$1,298,723	\$420,080		\$502,942	63%	(\$82,862)		\$1,215,861	\$417,558	\$798,304
846	MADRONE BP-TAXABLE	\$251,768	\$68,440	61%	\$102,187	58%	(\$33,747)		\$218,020	\$63,889	\$154,132
848	TENNANT AVE.BUS.PK A.D.	\$430,286	\$5,077	54%		na	\$5,077		\$435,363	\$435,363	
881	POLICE DONATION TRUST FUND	\$21,414	\$252	54%			\$252		\$21,666		\$21,665
TOTAL AGENCY FUNDS		\$3,899,767	\$1,558,543	61%	\$1,586,164	64%	(\$27,621)		\$3,872,145	\$2,849,495	\$2,264,969
SUMMARY BY FUND TYPE											
GENERAL FUND GROUP		\$10,898,370	\$9,699,259	58%	\$11,139,049	59%	(\$1,439,790)	\$400,870	\$9,057,710	\$9,553,883	\$6,150
SPECIAL REVENUE GROUP		\$6,644,960	\$3,972,260	76%	\$3,211,751	37%	\$760,509	\$1,745,912	\$5,659,557	\$7,416,536	
DEBT SERVICE GROUP		\$399,060	\$725,553	225%	\$302,659	129%	\$422,894		\$821,954	\$167,532	\$654,460
CAPITAL PROJECTS GROUP		\$32,840,841	\$20,774,265	79%	\$14,696,018	33%	\$6,078,247	\$3,751,296	\$35,167,792	\$24,976,327	\$14,380,470
ENTERPRISE GROUP		\$75,251,846	\$17,465,065	80%	\$10,380,674	38%	\$7,084,391	\$60,469,201	\$21,867,037	\$16,097,221	\$14,774,134
INTERNAL SERVICE GROUP		\$5,773,849	\$2,911,591	56%	\$2,405,866	49%	\$505,725		\$5,078,562	\$6,380,921	\$40,000
AGENCY GROUP		\$3,899,767	\$1,558,543	61%	\$1,586,164	64%	(\$27,621)		\$3,872,145	\$2,849,495	\$2,264,969
TOTAL ALL GROUPS		\$135,708,693	\$57,106,536	73%	\$43,722,181	41%	\$13,384,355	\$66,367,279	\$81,524,757	\$67,441,914	\$32,120,183
TOTAL CASH AND INVESTMENTS										\$99,562,096	

For Enterprise Funds - Unrestricted fund balance = Fund balance net of fixed assets and long-term liabilities.

¹ Amount restricted for encumbrances, fixed asset replacement, long-term receivables, and bond reserves.

² Amount restricted for debt service payments and AB1600 capital expansion projects as detailed in the City's five year CIP Plan and bond agreements.



CITY OF MORGAN HILL CASH AND INVESTMENT REPORT
FOR THE MONTH OF JANUARY 2005
FOR THE FISCAL YEAR OF 2004-05

	Invested in Fund	Yield	Book Value End of Month	Investment Category Subtotal at Cost	% of Total	Market Value
Investments						
State Treasurer LAIF - City	All Funds Pooled	2.13%	\$22,074,160		22.17%	\$22,028,920 *
- RDA	RDA	2.13%	\$9,014,859		9.05%	\$8,996,383 *
- Corp Yard	Corp Yard	2.13%	\$52,876		0.05%	\$52,767 *
Federal Issues	All Funds Pooled	3.20%	\$53,245,852		53.47%	\$52,828,443
SVNB CD	All Funds Pooled	2.50%	\$2,000,000		2.01%	\$2,000,000
Money Market	All Funds Pooled	1.54%	\$103,615	\$86,491,363	0.10%	\$103,615
Bond Reserve Accounts - held by trustees						
BNY - 2002 SCRWA Bonds						
MBIA Repurchase & Custody Agmt	Sewer	4.78%	\$1,849,401			
Blackrock Provident Temp Fund		1.95%	\$44,455		1.90%	\$2,306,348
US Bank - 1999 Water C.O.P.						
First American Treasury Obligation	Water	1.41%	\$406,576		0.41%	\$406,576
BNY - MH Water Revenue Bonds						
Blackrock Liquidity Temp Fund	Water	1.38%	\$5,081,660		5.10%	\$5,081,660
BNY - MH Police Facility Lease Revenue Bonds						
JP Morgan Treasury Plus	General Fund	1.21%	\$456,260		0.46%	\$456,260
US Bank - MH Ranch 98	MH Ranch					
First American Treasury Obligation	Agency Fund	1.41%	\$888,944		0.89%	\$887,866
US Bank - Madrone Bus Park Tax Exempt	Madrone Bus Park					
First American Treasury Obligation	Agency Fund	1.35%	\$664			
US Treasury Bill		1.49%	\$797,639		0.80%	\$804,592
US Bank - Madrone Bus Park Taxable	Madrone Bus Park					
First American Treasury Obligation	Agency Fund	1.40%	\$359			
US Treasury Bill		1.86%	\$153,774		0.15%	\$155,345
BNY - MH Ranch 2004 A	MH Ranch Bus Park					
Blackrock Provident Temp Fund	Agency Fund	1.95%	\$401,924	\$10,081,654	0.40%	\$401,924
Other Accounts/Deposits						
General Checking	All Funds		\$1,500,000		1.51%	\$1,500,000
Dreyfuss Treas Cash Management Account	All Funds		\$1,442,929		1.45%	\$1,442,929
Athens Administrators Workers' Comp	Workers' Comp		\$40,000		0.04%	\$40,000
Petty Cash & Emergency Cash	Various Funds		\$6,150	\$2,989,079	0.01%	\$6,150
Total Cash and Investments			\$99,562,096	\$99,562,096	100.00%	\$99,499,781
MH Financing Authority Investment in		1.75% to				
MH Ranch AD Imprvmt Bond Series 2004		4.50%	\$4,795,000			Unavailable

CASH ACTIVITY SUMMARY
FY 04/05

Fund Type	07/01/04 Balance	Change in Cash Balance	01/31/05 Balance	Restricted	Unrestricted
General Fund	\$11,307,873	(\$1,747,840)	\$9,560,033	\$6,150	\$9,553,883
Community Development	\$1,564,866	\$593,702	\$2,158,568	\$0	\$2,158,568
RDA (except Housing)	\$6,191,592	\$1,618,298	\$7,809,890	\$0	\$7,809,890
Housing / CDBG	\$7,244,293	\$144,859	\$7,389,152	\$0	\$7,389,152
Water - Operations	\$3,236,757	\$803,117	\$4,039,874	\$406,576	\$3,633,298
Water Other	\$3,450,125	\$6,744,449	\$10,194,574	\$6,047,844	\$4,146,730
Sewer - Operations	\$5,088,334	(\$1,074,651)	\$4,013,683	\$1,893,855	\$2,119,828
Sewer Other	\$13,072,660	(\$449,436)	\$12,623,224	\$6,425,859	\$6,197,365
Other Special Revenue	\$3,503,684	\$318,011	\$3,821,695	\$0	\$3,821,695
Streets and Capital Projects (except RDA)	\$23,802,360	\$1,791,666	\$25,594,026	\$14,380,470	\$11,213,556
Assessment Districts/Debt Service	\$397,995	\$423,997	\$821,992	\$654,460	\$167,532
Internal Service	\$6,337,439	\$83,482	\$6,420,921	\$40,000	\$6,380,921
Agency Funds	\$4,902,523	\$211,941	\$5,114,464	\$2,264,969	\$2,849,495
Total	\$90,100,501	\$9,461,595	\$99,562,096	\$32,120,183	\$67,441,913

Note: See Investment Portfolio Detail for maturities of "Investments." Market values are obtained from the City's investment brokers' monthly reports.
 * Market value as of 12/31/04 factor

I certify the information on the investment reports on pages 6-8 has been reconciled to the general ledger and bank statements and that there are sufficient funds to meet the expenditure requirements of the City for the next six months. The portfolio is in compliance with the City of Morgan Hill investment policy and all State laws and regulations.

Prepared by: _____
 Lourdes Reroma
 Accountant I

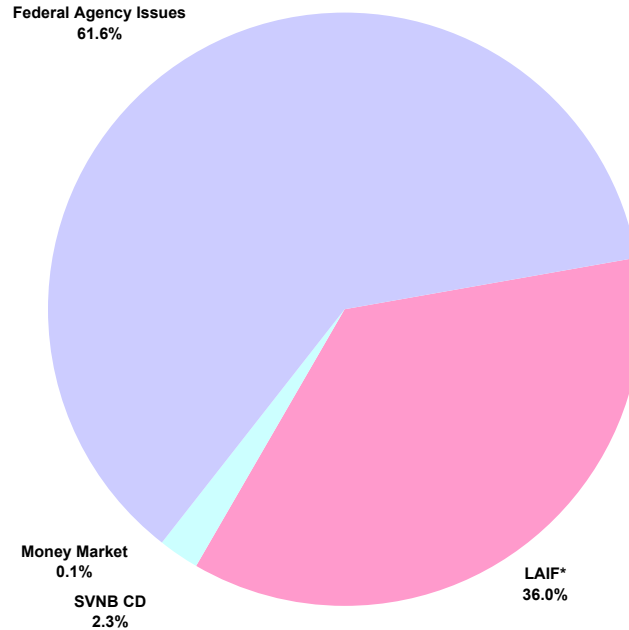
Approved by: _____
 Jack Dilles
 Director of Finance

Verified by: _____
 Tina Reza
 Assistant Director of Finance



CITY OF MORGAN HILL

INVESTMENT PORTFOLIO DETAIL as of 01/31/05



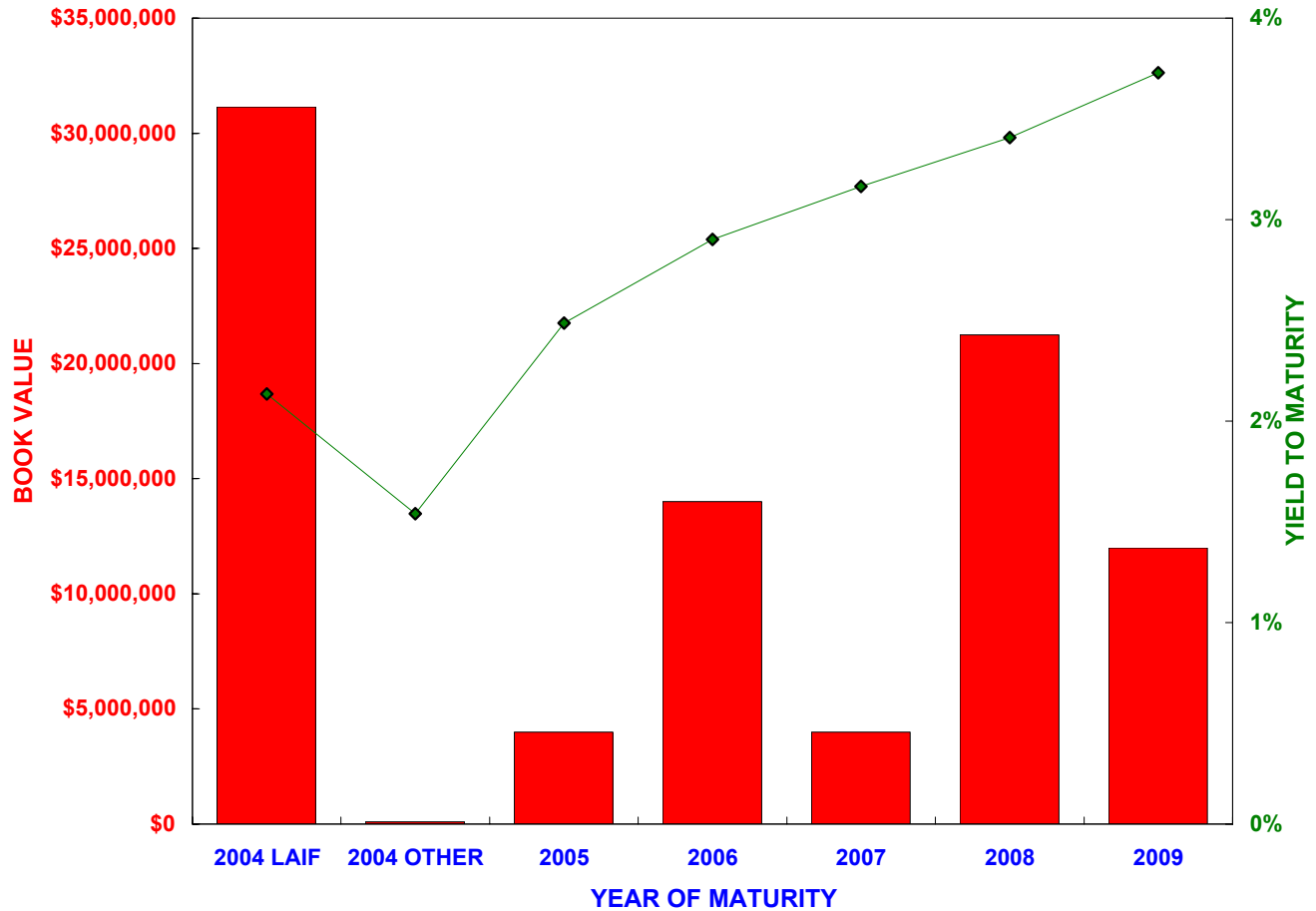
Investment Type	Purchase Date	Book Value	% of Portfolio	Market Value	Stated Rate	Interest Earned	Next Call Date	Date of Maturity	Years to Maturity
LAIF*									
SVNB CD	07/07/03	\$2,000,000	2.31%	\$2,000,000	2.500%	\$20,306		07/07/05	0.427
Federal Agency Issues									
Fed Home Loan Bank	05/21/04	\$2,000,000	2.31%	\$1,991,880	2.474%	\$29,069	02/21/05	11/21/05	0.803
Fed Home Loan Bank	01/25/05	\$2,000,000	2.31%	\$2,000,000	3.000%	\$1,160	02/25/05	01/25/06	0.981
Fed Home Loan Mgt Corp	10/12/04	\$2,000,000	2.31%	\$1,990,180	2.700%	\$16,615	anytime	04/12/06	1.192
Fed Home Loan Bank	02/26/04	\$2,000,000	2.31%	\$1,985,620	2.563%	\$30,034	02/26/05	05/26/06	1.312
Fed Home Loan Bank	11/29/04	\$2,000,000	2.31%	\$1,996,260	3.076%	\$10,876	02/28/05	08/28/06	1.570
Fed Home Loan Mgt Corp	11/30/04	\$2,000,000	2.31%	\$1,995,700	3.070%	\$10,686	08/30/05	08/30/06	1.575
Fed Home Loan Bank	12/15/04	\$2,000,000	2.31%	\$1,999,380	3.250%	\$8,306	03/05/05	09/15/06	1.619
Fed Home Loan Bank	03/29/04	\$2,000,000	2.31%	\$1,963,760	2.650%	\$31,263	12/29/06	12/29/06	1.907
Fed Home Loan Bank	03/18/04	\$2,000,000	2.31%	\$1,983,760	3.030%	\$35,776	03/18/05	06/18/07	2.375
Fed Home Loan Bank	03/29/04	\$2,000,000	2.31%	\$1,963,760	3.300%	\$38,934	03/28/05	12/28/07	2.904
Fed Home Loan Mgt Corp	03/12/03	\$2,000,000	2.31%	\$1,995,640	3.500%	\$41,344	03/12/05	03/12/08	3.110
Fed Home Loan Bank	03/26/03	\$2,000,000	2.31%	\$1,986,260	3.375%	\$39,825	anytime	03/26/08	3.148
Fed Home Loan Mgt Corp	04/16/03	\$2,000,000	2.31%	\$1,998,900	3.600%	\$42,412	04/16/05	04/16/08	3.205
Fed Home Loan Mgt Corp	04/17/03	\$1,995,852	2.31%	\$1,993,820	3.625%	\$44,189	04/17/05	04/17/08	3.208
Fed Farm Credit Bank	06/03/03	\$2,000,000	2.31%	\$1,973,760	3.210%	\$37,771	06/03/05	06/03/08	3.337
Fed Farm Credit Bank	06/12/03	\$2,000,000	2.31%	\$1,956,880	2.950%	\$34,704	04/30/05	06/12/08	3.362
Fed Home Loan Bank	07/30/03	\$2,000,000	2.31%	\$1,958,120	3.000%	\$35,112	04/30/05	07/30/08	3.493
Fed Home Loan Bank	07/30/03	\$2,000,000	2.31%	\$1,974,380	3.243%	\$38,272	04/30/05	07/30/08	3.493
Fed Home Loan Bank	07/30/03	\$2,000,000	2.31%	\$1,982,500	3.400%	\$39,793	04/30/05	07/30/08	3.493
Fed Home Loan Bank	08/14/03	\$1,250,000	1.45%	\$1,247,263	3.690%	\$27,009	02/14/05	08/14/08	3.534
Fed Home Loan Bank	10/15/03	\$2,000,000	2.31%	\$2,000,000	4.000%	\$23,563	anytime	10/15/08	3.704
Fed Farm Credit Bank	03/16/04	\$2,000,000	2.31%	\$1,950,000	3.650%	\$43,103	anytime	03/16/09	4.121
Fed Home Loan Bank	03/26/04	\$2,000,000	2.31%	\$2,000,620	4.000%	\$47,200	02/26/05	03/26/09	4.148
Fed Home Loan Bank	04/06/04	\$2,000,000	2.31%	\$1,981,880	3.625%	\$42,717	anytime	04/06/09	4.178
Fed Home Loan Bank	04/07/04	\$2,000,000	2.31%	\$1,980,620	3.600%	\$42,422	04/07/05	04/07/09	4.181
Fed National Mortgage	04/16/04	\$2,000,000	2.31%	\$1,989,380	3.750%	\$44,179	04/16/05	04/16/09	4.205
Fed Home Loan Bank	04/29/04	\$2,000,000	2.31%	\$1,988,120	3.750%	\$44,162	04/29/05	04/29/09	4.241
Redeemed in FY 04/05						\$42,559			
Sub Total/Average		\$53,245,852	61.56%	\$52,828,443	3.204%	\$923,055			2.896
Money Market									
		\$103,615	0.12%	\$103,615	1.540%	\$5,525			0.003
TOTAL/AVERAGE									
		\$86,491,363	100.00%	\$86,010,129	2.856%	\$1,260,495			1.855

*Per State Treasurer Report dated 12/31/2004, LAIF had invested approximately 12% of its balance in Treasury Bills and Notes, 22% in CDs, 15% in Commercial Paper and Corporate Bonds, 0% in Banker's Acceptances and 51% in others.



CITY OF MORGAN HILL

INVESTMENT MATURITIES
AS OF JANUARY 31, 2005



YEAR OF MATURITY	BOOK VALUE	MARKET VALUE	AVERAGE RATE	% OF TOTAL
2004 LAIF	\$31,141,896	\$31,078,071	2.134%	36.01%
2004 OTHER	\$103,615	\$103,615	1.540%	0.12%
2005	\$4,000,000	\$3,991,880	2.487%	4.62%
2006	\$14,000,000	\$13,930,900	2.901%	16.19%
2007	\$4,000,000	\$3,947,520	3.165%	4.62%
2008	\$21,245,852	\$21,067,523	3.408%	24.56%
2009	\$12,000,000	\$11,890,620	3.729%	13.87%
TOTAL	\$86,491,363	\$86,010,129	2.856%	100.00%



City of Morgan Hill
Year to Date Revenues - Fiscal Year 2004/05
For the Month of January 2005
58% of Year Completed

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
010 GENERAL FUND							
<u>TAXES</u>							
Property Taxes - Secured/Unsecured/Prio	2,803,396	2,803,396	2,364,764	84%	1,485,162	879,602	59%
Supplemental Roll	157,500	157,500	88,413	56%	62,091	26,322	42%
Sales Tax	4,600,000	4,600,000	2,900,853	63%	2,440,917	459,936	19%
Public Safety Sales Tax	252,000	252,000	119,596	47%	121,799	(2,203)	-2%
Transient Occupancy Taxes	945,000	945,000	473,090	50%	437,952	35,138	8%
Franchise (Refuse ,Cable ,PG&E)	965,000	965,000	290,105	30%	277,386	12,719	5%
Property Transfer Tax	367,500	367,500	247,894	67%	227,986	19,908	9%
TOTAL TAXES	10,090,396	10,090,396	6,484,715	64%	5,053,293	1,431,422	28%
<u>LICENSES/PERMITS</u>							
Business License	155,000	155,000	148,798	96%	141,546	7,252	5%
Other Permits	46,720	46,720	1,431	3%	30,177	(28,746)	-95%
TOTAL LICENSES/PERMITS	201,720	201,720	150,229	74%	171,723	(21,494)	-13%
<u>FINES AND PENALTIES</u>							
Parking Enforcement	12,000	12,000	5,146	43%	7,203	(2,057)	-29%
City Code Enforcement	35,000	35,000	26,989	77%	20,240	6,749	33%
Business tax late fee/other fines	1,200	1,200	1,243	104%	548	695	127%
TOTAL FINES AND PENALTIES	48,200	48,200	33,378	69%	27,991	5,387	19%
<u>OTHER AGENCIES</u>							
Motor Vehicle in-Lieu	1,423,800	1,423,800	157,373	11%	703,158	(545,785)	-78%
Other Revenue - Other Agencies	304,400	304,400	92,780	30%	148,325	(55,545)	-37%
TOTAL OTHER AGENCIES	1,728,200	1,728,200	250,153	14%	851,483	(601,330)	-71%
<u>CHARGES CURRENT SERVICES</u>							
False Alarm Charge	20,000	20,000	15,494	77%	11,925	3,569	30%
Business License Application Review	22,000	22,000	14,374	65%	14,483	(109)	-1%
Recreation Classes	326,750	326,750	158,181	48%	112,481	45,700	41%
Aquatics Revenue	1,181,625	1,181,625	706,213	60%			
General Administration Overhead	1,793,851	1,793,851	896,926	50%	1,171,321	(274,395)	-23%
Other Charges Current Services	190,850	190,850	258,148	135%	140,734	117,414	83%
TOTAL CURRENT SERVICES	3,535,076	3,535,076	2,049,336	58%	1,450,944	(107,821)	-7%
<u>OTHER REVENUE</u>							
Use of money/property	819,261	819,261	503,530	61%	416,108	87,422	21%
Other revenues	14,000	14,000	43,193	309%	5,608	37,585	670%
TOTAL OTHER REVENUE	833,261	833,261	546,723	66%	421,716	125,007	30%
<u>TRANSFERS IN</u>							
Park Maintenance	125,000	125,000	31,250	25%	100,001	(68,751)	-69%
Sewer Enterprise	20,000	20,000	11,667	58%	10,208	1,459	14%
Water Enterprise	20,000	20,000	11,667	58%	10,208	1,459	14%
Public Safety	175,000	175,000	102,083	58%	159,250	(57,167)	-36%
Environmental Programs	48,100	48,100	28,058	58%		28,058	n/a
HCD Block Grant	15,000	15,000	-	n/a		-	n/a
Other Funds	-	-	-	n/a	182,000	(182,000)	-100%
TOTAL TRANSFERS IN	403,100	403,100	184,725	46%	461,667	(276,942)	-60%
TOTAL GENERAL FUND	16,839,953	16,839,953	9,699,259	58%	8,438,817	1,260,442	15%



City of Morgan Hill
Year to Date Revenues - Fiscal Year 2004/05
For the Month of January 2005
58% of Year Completed

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
SPECIAL REVENUE FUNDS							
<u>202 STREET MAINTENANCE</u>							
Gas Tax 2105 - 2107.5	674,000	674,000	346,857	51%	390,928	(44,071)	-11%
Measure A & B	-	-	-	n/a	-	-	n/a
Tea 21	-	-	-	n/a	-	-	n/a
Transfers In	700,000	800,000	375,000	47%	400,000	(25,000)	-6%
Project Reimbursement	-	-	197,035	n/a	106,236	90,799	85%
Interest / Other Revenue/Other Charges	29,635	29,635	46,092	156%	16,027	30,065	188%
202 STREET MAINTENANCE	1,403,635	1,503,635	964,984	64%	913,191	51,793	6%
<u>204/205 PUBLIC SAFETY TRUST</u>							
Interest Income	6,103	6,103	3,743	61%	4,295	(552)	-13%
Police Grant/SLEF	100,000	100,000	100,000	100%	100,000	-	n/a
PD Block Grant	-	-	-	n/a	-	-	n/a
CA Law Enforcement Equip. Grant	-	-	-	n/a	-	-	n/a
Federal Police Grant (COPS)	-	-	-	n/a	-	-	n/a
Transfers In	-	-	-	n/a	-	-	n/a
204/205 PUBLIC SAFETY TRUST	106,103	106,103	103,743	98%	104,295	(552)	-1%
<u>206 COMMUNITY DEVELOPMENT</u>							
Building Fees	1,403,000	1,403,000	977,619	70%	1,205,727	(228,108)	-19%
Planning Fees	791,621	791,621	454,591	57%	274,948	179,643	65%
Engineering Fees	516,500	516,500	843,953	163%	162,238	681,715	420%
Other Revenue/Current Charges	26,188	26,188	23,911	91%	16,651	7,260	44%
Transfers	-	-	-	n/a	17,500	(17,500)	-100%
206 COMMUNITY DEVELOPMENT	2,737,309	2,737,309	2,300,074	84%	1,677,064	623,010	37%
207 GENERAL PLAN UPDATE	80,154	80,154	76,872	96%	60,193	16,679	28%
<u>215 and 216 HCD BLOCK GRANT</u>							
HCD allocation	166,440	166,440	-	n/a	-	-	n/a
Interest Income/Other Revenue	9,648	9,648	18,171	188%	6,580	11,591	176%
Transfers	-	-	-	n/a	-	-	n/a
215 and 216 HCD BLOCK GRANT	176,088	176,088	18,171	10%	6,580	11,591	176%
210 COMMUNITY CENTER	52,119	52,119	30,487	58%	2,751	27,736	1008%
225 ASSET SEIZURE	1,020	1,020	16,891	1656%	359	16,532	4605%
229 LIGHTING AND LANDSCAPE	130,766	130,766	70,111	54%	68,917	1,194	2%
232 ENVIRONMENTAL PROGRAMS	399,491	399,491	220,033	55%	203,671	16,362	8%
234 MOBILE HOME PARK RENT STAB.	5,148	5,148	7,200	140%	5,044	2,156	43%
235 SENIOR HOUSING	5,501	5,501	2,979	54%	2,407	572	24%
236 HOUSING MITIGATION	12,031	12,031	133,997	1114%	24,857	109,140	439%
240 EMPLOYEE ASSISTANCE	29,059	29,059	20,002	69%	18,385	1,617	9%
247 ENVIRONMENT REMEDIATION			6,716	n/a	-	6,716	n/a
TOTAL SPECIAL REVENUE FUNDS	5,138,424	5,238,424	3,972,260	76%	3,087,714	884,546	29%



City of Morgan Hill
Year to Date Revenues - Fiscal Year 2004/05
For the Month of January 2005
58% of Year Completed

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
CAPITAL PROJECTS FUNDS							
301 PARK DEVELOPMENT	578,596	578,596	647,741	112%	521,407	126,334	24%
302 PARK MAINTENANCE	254,863	254,863	387,932	152%	119,915	268,017	224%
303 LOCAL DRAINAGE	243,292	243,292	418,859	172%	110,938	307,921	278%
304 LOCAL DRAINAGE/NON AB1600	146,377	146,377	187,618	128%	90,115	97,503	108%
306 OPEN SPACE	165,125	165,125	218,468	132%	107,129	111,339	104%
309 TRAFFIC MITIGATION	651,916	651,916	555,320	85%	960,019	(404,699)	-42%
311 POLICE MITIGATION	39,568	39,568	106,154	268%	49,115	57,039	116%
313 FIRE MITIGATION	138,417	138,417	104,081	75%	145,889	(41,808)	-29%
317 RDA CAPITAL PROJECTS							
Property Taxes & Supplemental Roll	17,048,868	17,048,868	8,117,798	48%	8,782,459	(664,661)	-8%
Development Agreements			-	n/a		-	n/a
Interest Income, Rents	17,031	17,031	86,800	510%	122,746	(35,946)	-29%
Other Agencies/Current Charges/Transfer	-	778,976	153,517	n/a	20,970	132,547	632%
317 RDA CAPITAL PROJECTS	17,065,899	17,844,875	8,358,115	47%	8,926,175	(568,060)	-6%
327/328 RDA L/M HOUSING							
Property Taxes & Supplemental Roll	4,737,350	4,737,350	2,318,711	49%	2,195,615	123,096	6%
Interest Income, Rent	112,277	112,277	104,751	93%	72,681	32,070	44%
Other	100	100	720	720%	1,013	(293)	-29%
327/328 RDA L/M HOUSING	4,849,727	4,849,727	2,424,182	50%	2,269,309	154,873	7%
346 PUBLIC FACILITIES NON-AB1600	629,137	629,137	7,033,417	1118%	40,692	6,992,725	17185%
347 PUBLIC FACILITIES	74,737	74,737	77,750	104%	447,412	(369,662)	-83%
348 LIBRARY	526,000	526,000	55,309	11%	43,807	11,502	26%
350 UNDERGROUNDING	242,742	242,742	161,209	66%	37,681	123,528	328%
340/342 MH BUS.RANCH CIP I & II	2,270	2,270	1,108	49%	966	142	15%
360 COMMUNITY/REC IMPACT FUND	44,399	44,399	37,002	83%	309	36,693	11875%
TOTAL CAPITAL PROJECTS FUNDS	25,653,065	26,432,041	20,774,265	79%	13,870,878	6,903,387	50%
DEBT SERVICE FUNDS							
411 POLICE FACILITY BOND			578,571	n/a		578,571	n/a
536 ENCINO HILLS	1,495	1,495	-	n/a	640	(640)	-100%
539 MORGAN HILL BUSINESS PARK	250	250	-	n/a	111	(111)	-100%
542 SUTTER BUSINESS PARK	552	552	-	n/a	235	(235)	-100%
545 COCHRANE BUSINESS PARK	279,134	279,134	106,599	38%	109,906	(3,307)	-3%
551 JOLEEN WAY	41,235	41,235	40,383	98%	17,875	22,508	126%
TOTAL DEBT SERVICE FUNDS	322,666	322,666	725,553	225%	128,767	596,786	463%



City of Morgan Hill
Year to Date Revenues - Fiscal Year 2004/05
For the Month of January 2005
58% of Year Completed

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
ENTERPRISE FUNDS							
640 SEWER OPERATION							
Sewer Service Fees	5,459,000	5,459,000	3,134,650	57%	3,096,672	37,978	1%
Interest Income	59,437	59,437	71,802	121%	32,375	39,427	122%
Other Revenue/Current Charges	110,500	110,500	105,721	96%	103,560	2,161	2%
640 SEWER OPERATION	5,628,937	5,628,937	3,312,173	59%	3,232,607	79,566	2%
641 SEWER EXPANSION							
Interest Income	94,826	94,826	73,555	78%	50,429	23,126	46%
Connection Fees	1,100,000	1,100,000	1,124,231	102%	1,383,421	(259,190)	-19%
Other	-	-	462	n/a	462	-	n/a
641 SEWER EXPANSION	1,194,826	1,194,826	1,198,248	100%	1,434,312	(236,064)	-16%
642 SEWER RATE STABILIZATION	84,161	84,161	46,797	56%	35,859	10,938	31%
643 SEWER-CAPITAL PROJECT	36,527	36,527	29,460	81%	277,217	(247,757)	-89%
TOTAL SEWER FUNDS	6,944,451	6,944,451	4,586,678	66%	4,979,995	(393,317)	-8%
650 WATER OPERATION							
Water Sales	5,821,375	5,821,375	4,199,893	72%	4,238,506	(38,613)	-1%
Meter Install & Service	40,000	40,000	88,396	221%	24,961	63,435	254%
Transfers-In, and Interest Income	2,516,848	2,516,848	69,840	3%	646,346	(576,506)	-89%
Other Revenue/Current Charges	279,688	279,688	469,420	168%	188,719	280,701	149%
650 WATER OPERATION	8,657,911	8,657,911	4,827,549	56%	5,098,532	(270,983)	-5%
651 WATER EXPANSION							
Interest Income/Other Revenue/Transfer	5,000,000	5,000,000	5,423,109	108%	561,739	4,861,370	865%
Water Connection Fees	200,000	200,000	261,331	131%	232,640	28,691	12%
651 WATER EXPANSION	5,200,000	5,200,000	5,684,440	109%	794,379	4,890,061	616%
652 Water Rate Stabilization	445	445	311	70%	6,423	(6,112)	-95%
653 Water Capital Project	1,016,646	1,016,646	2,366,087	233%	557,897	1,808,190	324%
TOTAL WATER FUNDS	14,875,002	14,875,002	12,878,387	87%	6,457,231	6,421,156	99%
TOTAL ENTERPRISE FUNDS	21,819,453	21,819,453	17,465,065	80%	11,437,226	6,027,839	53%
INTERNAL SERVICE FUNDS							
730 INFORMATION SERVICES	279,995	279,995	183,758	66%	143,069	40,689	28%
740 BUILDING MAINTENANCE SERVICES	1,652,610	1,652,610	964,022	58%	521,227	442,795	85%
745 CIP ADMINISTRATION	1,395,765	1,395,765	662,683	47%	738,149	(75,466)	-10%
760 UNEMPLOYMENT INSURANCE	60,484	60,484	30,243	50%	7,363	22,880	311%
770 WORKERS COMPENSATION	875,300	875,300	551,261	63%	269,404	281,857	105%
790 EQUIPMENT REPLACEMENT	373,009	384,009	212,637	55%	145,745	66,892	46%
793 CORPORATION YARD COMMISSION	136,715	136,715	47,856	35%	58,177	(10,321)	-18%
795 GENERAL LIABILITY INSURANCE	453,709	453,709	259,131	57%	226,608	32,523	14%
TOTAL INTERNAL SERVICE FUNDS	5,227,587	5,238,587	2,911,591	56%	2,109,742	801,849	38%



City of Morgan Hill
Year to Date Revenues - Fiscal Year 2004/05
For the Month of January 2005
58% of Year Completed

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
AGENCY FUNDS							
841 M.H. BUS.RANCH A.D. I	-	-	275,322	n/a	357,135	(81,813)	-23%
842 M.H. BUS.RANCH A.D. II	-	-	24,405	n/a	30,556	(6,151)	-20%
843 M.H. BUS.RANCH 1998	905,353	905,353	460,955	51%	416,470	44,485	11%
844 M.H. RANCH REFUNDING 2004A	619,142	619,142	304,012	49%		304,012	n/a
845 MADRONE BP-TAX EXEMPT	826,553	826,553	420,080	51%	397,450	22,630	6%
846 MADRONE BP-TAXABLE	179,459	179,459	68,440	38%	83,442	(15,002)	-18%
848 TENNANT AVE.BUS.PK A.D.	37,993	37,993	5,077	13%	63,532	(58,455)	-92%
881 POLICE DONATION TRUST FUND	465	465	252	54%	202	50	25%
TOTAL AGENCY FUNDS	2,568,965	2,568,965	1,558,543	61%	1,348,787	209,756	16%
TOTAL FOR ALL FUNDS	77,570,113	78,460,089	57,106,536	73%	40,421,931	17,086,899	42%



City of Morgan Hill
Year to Date Expenses - Fiscal Year 2004/05
For the Month of January 2005
58% of Year Completed

FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET
010 GENERAL FUND								
I. GENERAL GOVERNMENT								
COUNCIL AND MISCELLANEOUS GOVT.								
	City Council	13,685	174,319	179,647	104,504	3,406	107,910	60%
	Community Promotions	<u>1,097</u>	<u>28,114</u>	<u>28,114</u>	<u>9,499</u>	-	<u>9,499</u>	<u>34%</u>
	COUNCIL AND MISCELLANEOUS GO	14,782	202,433	207,761	114,003	3,406	117,409	57%
	CITY ATTORNEY	55,341	566,191	650,022	580,730	108,128	688,858	106%
CITY MANAGER								
	City Manager	23,765	318,659	318,659	182,085		182,085	57%
	Cable Television	7,547	44,961	44,961	27,176	11,541	38,717	86%
	Communications & Marketing	<u>3,414</u>	<u>71,045</u>	<u>71,045</u>	<u>33,295</u>	-	<u>33,295</u>	<u>47%</u>
	CITY MANAGER	34,726	434,665	434,665	242,556	11,541	254,097	58%
RECREATION								
	Recreation	15,521	285,551	285,551	141,972	75,000	216,972	76%
	Community & Cultural Center	87,569	1,287,874	1,346,160	639,686	131,772	771,458	57%
	Aquatics Center	<u>63,744</u>	<u>1,179,260</u>	<u>1,179,260</u>	<u>937,274</u>	<u>37,228</u>	<u>974,502</u>	<u>83%</u>
	RECREATION	166,834	2,752,685	2,810,971	1,718,932	244,000	1,962,932	70%
HUMAN RESOURCES								
	Human Resources	43,883	485,417	485,417	276,836	-	276,836	57%
	Volunteer Programs	<u>4,760</u>	<u>55,912</u>	<u>55,912</u>	<u>30,137</u>	-	<u>30,137</u>	<u>54%</u>
	HUMAN RESOURCES	48,643	541,329	541,329	306,973		306,973	57%
CITY CLERK								
	City Clerk	18,251	252,920	277,261	151,264	-	151,264	55%
	Elections	<u>3,189</u>	<u>100,296</u>	<u>100,296</u>	<u>68,078</u>	-	<u>68,078</u>	<u>68%</u>
	CITY CLERK	21,440	353,216	377,557	219,342	-	219,342	58%
	FINANCE	67,941	927,325	927,325	523,060	-	523,060	56%
	MEDICAL SERVICES	-		5,000			-	n/a
	TOTAL GENERAL GOVERNMENT	409,707	5,777,844	5,954,630	3,705,596	367,075	4,072,671	68%
II. PUBLIC SAFETY								
POLICE								
	PD Administration	46,349	614,784	614,784	328,794	-	328,794	53%
	Patrol	300,315	4,106,920	4,121,520	2,281,071	3,722	2,284,793	55%
	Support Services	63,549	949,449	949,449	499,963	3,721	503,684	53%
	Emergency Services/Haz Mat	6,103	46,252	50,264	11,896	4,013	15,909	32%
	Special Operations	137,115	1,195,840	1,203,958	803,527	11,751	815,278	68%
	Animal Control	7,315	86,078	86,078	50,926		50,926	59%
	Dispatch Services	<u>66,368</u>	<u>988,927</u>	<u>989,577</u>	<u>488,489</u>	<u>650</u>	<u>489,139</u>	<u>49%</u>
	POLICE	627,114	7,988,250	8,015,630	4,464,666	23,857	4,488,523	56%
	FIRE	349,531	4,194,617	4,194,617	2,446,831	-	2,446,831	58%
	TOTAL PUBLIC SAFETY	976,645	12,182,867	12,210,247	6,911,497	23,857	6,935,354	57%
III. COMMUNITY IMPROVEMENT								
	PARK MAINTENANCE	29,303	705,572	706,957	386,465	9,938	396,403	56%
	TOTAL COMMUNITY IMPROVEMENT	29,303	705,572	706,957	386,465	9,938	396,403	56%



City of Morgan Hill
Year to Date Expenses - Fiscal Year 2004/05
For the Month of January 2005
58% of Year Completed

FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET
IV. TRANSFERS								
	PD Bond Debt Service	57,299			57,299	-	57,299	n/a
	Community Center	4,167	50,000	50,000	29,167		29,167	
	Info Systems		49,025	49,025	49,025	-	49,025	100%
	RDA Capital Project	-		28,977	-	-	-	n/a
TOTAL TRANSFERS		61,466	99,025	128,002	135,491	-	135,491	106%
TOTAL GENERAL FUND		1,477,121	18,765,308	18,999,836	11,139,049	400,870	11,539,919	61%
SPECIAL REVENUE FUNDS								
202 STREET MAINTENANCE								
	Street Maintenance/Traffic	98,979	1,593,914	1,634,616	835,566	225,180	1,060,746	65%
	Congestion Management	3,356	80,329	80,329	36,212		36,212	45%
	Street CIP	44,434	44,993	521,028	156,974	174,018	330,992	64%
202 STREET MAINTENANCE		146,769	1,719,236	2,235,973	1,028,752	399,198	1,427,950	64%
204/205	PUBLIC SAFETY/SUPP.LAW	14,627	175,520	175,520	102,387		102,387	58%
206 COMMUNITY DEVELOPMENT FUND								
	Planning	87,951	1,086,783	1,236,714	660,400	107,452	767,852	62%
	Building	57,494	1,038,955	1,055,719	485,792	111,987	597,779	57%
	PW-Engineering	69,131	1,096,107	1,121,273	529,556	74,073	603,629	54%
206 COMMUNITY DEVELOPMENT FUND		214,576	3,221,845	3,413,706	1,675,748	293,512	1,969,260	58%
207	GENERAL PLAN UPDATE	840	60,498	147,742	21,690	207,529	229,219	155%
210	COMMUNITY CENTER	-	-	-	-	-	-	n/a
215/216	CDBG	11,771	288,007	657,039	57,514	77,677	135,191	21%
225	ASSET SEIZURE	-	-	-	35,519	1,402	36,921	n/a
229	LIGHTING AND LANDSCAPE	9,442	14,038	140,038	83,466	42,400	125,866	90%
232	ENVIRONMENT PROGRAMS	18,560	417,937	535,570	163,580	53,645	217,225	41%
234	MOBILE HOME PARK	613	5,202	200,545	10,302	185,931	196,233	98%
235	SENIOR HOUSING TRUST FUNI	866	20,180	20,180	1,470	3,465	4,935	24%
236	HOUSING MITIGATION FUND	-	1,015,000	1,015,000	-	-	-	n/a
240	EMPLOYEE ASSISTANCE	1,781	25,000	25,000	31,323	-	31,323	125%
TOTAL SPECIAL REVENUE FUNDS		419,845	6,962,463	8,566,313	3,211,751	1,264,759	4,476,510	52%
CAPITAL PROJECT FUNDS								
301	PARK DEVELOPMENT	3,695	2,062,944	2,876,271	59,581	124,060	183,641	6%
302	PARK MAINTENANCE	-	150,000	150,000	31,250	-	31,250	21%
303	LOCAL DRAINAGE	128	2,001,536	2,001,536	896	-	896	0%
304	LOCAL DRAIN. NON-AB1600	9,052	841,669	854,739	25,706	-	25,706	3%
306	OPEN SPACE	-	-	-	492	-	492	-
309	TRAFFIC MITIGATION	113,703	1,050,000	2,054,433	309,833	537,297	847,130	41%
311	POLICE MITIGATION	64,592	88,937	98,444	67,561	10,000	77,561	79%
313	FIRE MITIGATION	115	101,380	132,676	805	9,101	9,906	7%
317	RDA BUSINESS ASSISTANCE	558,208	13,453,262	21,436,658	5,079,618	2,452,849	7,532,467	35%
327/328	RDA HOUSING	112,325	5,824,189	6,589,093	2,133,639	43,818	2,177,457	33%
340/342	MH BUS RANCH CIP	-	-	-	66,554	-	66,554	n/a
346	PUBLIC FAC.NON AB1600	10,301	553,000	7,506,199	6,917,942	447,217	7,365,159	98%
347	PUBLIC FACILITIES	114	1,365	11,115	796	9,750	10,546	95%
348	LIBRARY IMPACT	17	1,000,202	1,000,202	118	-	118	0%
350	UNDERGROUNDING	1,032	375,390	441,037	1,227	36,155	37,382	8%
360	COMM/REC CTR IMPACT	-	50,000	50,000	-	-	-	n/a
TOTAL CAPITAL PROJECTS FUNDS		873,282	27,553,874	45,202,403	14,696,018	3,670,247	18,366,265	41%



City of Morgan Hill
Year to Date Expenses - Fiscal Year 2004/05
For the Month of January 2005
58% of Year Completed

FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET
DEBT SERVICE FUNDS								
441	POLICE FACILITY BOND DEBT	122,347	-	-	122,347	-	122,347	n/a
539	MORGAN HILL BUS. PARK A.D	-	-	-	-	-	-	n/a
542	SUTTER BUS. PARK A.D.	-	-	-	-	-	-	n/a
545	COCHRANE BUS. PARK A.D.	835	194,200	194,200	149,272	-	149,272	77%
551	JOLEEN WAY A.D.	806	39,561	39,561	31,040	-	31,040	78%
TOTAL DEBT SERVICE FUNDS		123,988	233,761	233,761	302,659	-	302,659	129%
ENTERPRISE FUNDS								
SEWER								
640	SEWER OPERATION	648,969	6,450,819	6,529,282	4,246,278	109,369	4,355,647	67%
641	CAPITAL EXPANSION	133,982	3,556,745	3,946,185	545,342	55,266	600,608	15%
642	SEWER RATE STABILIZATION	176	2,117	2,117	1,235	-	1,235	58%
643	SEWER-CAPITAL PROJECTS	59,299	472,539	1,229,515	601,824	211,094	812,918	66%
TOTAL SEWER FUND(S)		842,426	10,482,220	11,707,099	5,394,679	375,729	5,770,408	49%
WATER								
	Water Operations Division	312,599	6,541,316	6,812,203	3,332,400	485,700	3,818,100	56%
	Meter Reading/Repair	42,373	719,352	743,447	253,334	8,704	262,038	35%
	Utility Billing	38,770	392,283	392,283	225,564	8,697	234,261	60%
	Water Conservation	3,125	59,466	64,711	28,713	-	28,713	44%
650	WATER OPERATIONS	396,867	7,712,417	8,012,644	3,840,011	503,101	4,343,112	54%
651	CAPITAL EXPANSION	15,250	2,845,226	4,234,398	748,879	109,137	858,016	20%
652	WATER RATE STABILIZATION	41	493	493	288	-	288	58%
653	WATER-CAPITAL PROJECTS	29,702	1,115,923	3,170,822	396,817	274,896	671,713	21%
TOTAL WATER FUND(S)		441,860	11,674,059	15,418,357	4,985,995	887,134	5,873,129	38%
TOTAL ENTERPRISE FUNDS		1,284,286	22,156,279	27,125,456	10,380,674	1,262,863	11,643,537	43%
INTERNAL SERVICE FUNDS								
730	INFORMATION SERVICES	30,021	430,970	450,489	201,039	308,291	509,330	113%
740	BUILDING MAINTENANCE	102,531	1,343,445	1,343,445	743,500	25,534	769,034	57%
745	CIP ENGINEERING	91,113	1,395,765	1,431,786	663,199	50,059	713,258	50%
760	UNEMPLOYMENT	-	55,000	55,000	25,827	-	25,827	47%
770	WORKERS COMPENSATION	39,040	767,200	789,775	358,517	-	358,517	45%
790	EQUIPMENT REPLACEMENT	20,123	187,240	237,240	20,910	-	20,910	9%
793	CORP YARD COMMISSION	4,889	130,200	173,212	76,864	15,470	92,334	53%
795	GEN. LIABILITY INSURANCE	5,547	427,700	427,700	316,010	-	316,010	74%
TOTAL INTERNAL SERVICE FUNDS		293,264	4,737,520	4,908,647	2,405,866	399,354	2,805,220	57%
AGENCY FUNDS								
841	MORGAN HILL BUS RANCH I	-	-	-	299,893	-	299,893	n/a
842	MORGAN HILL BUS RANCH II	-	-	-	31	-	31	n/a
843	MORGAN HILL BUS RANCH 98	1,021	893,395	893,395	587,643	-	587,643	66%
844	MH RANCH RSMNT 2004A	1,489	598,873	598,873	93,468	-	93,468	16%
845	MADRONE BP-TAX EXEMPT	1,233	800,730	800,730	502,942	-	502,942	63%
846	MADRONE BP-TAXABLE	749	175,480	175,480	102,187	-	102,187	58%
848	TENNANT AVE BUS PARK AD	-	-	-	-	-	-	n/a
881	POLICE DONATION TRUST	-	-	-	-	-	-	n/a
TOTAL AGENCY FUNDS		4,492	2,468,478	2,468,478	1,586,164	-	1,586,164	64%
REPORT TOTAL		4,476,278	82,877,683	107,504,894	43,722,181	6,998,093	50,720,274	47%



YTD INCOME STATEMENT FOR CURRENT AND PRIOR YEAR

	Sewer Operations				Water Operations			
	Budget	YTD	% of Budget	Prior YTD	Budget	YTD	% of Budget	Prior YTD
Operations								
Revenues								
Service Charges	\$ 5,459,000	\$ 3,134,650	57%	\$ 3,096,672	\$ 5,821,375	\$ 4,199,893	72%	\$ 4,238,506
Meter Install & Service					40,000	88,396	221%	24,961
Other	110,500	105,721	96%	103,560	279,688	478,322	171%	196,775
Total Operating Revenues	5,569,500	3,240,371	58%	3,200,232	6,141,063	4,766,611	78%	4,460,242
Expenses								
Operations	4,682,409	2,570,649	55%	2,534,246	4,750,307	2,909,590	61%	2,955,850
Meter Reading/Repair					637,156	253,334	40%	243,813
Utility Billing/Water Conservation					399,783	254,277	64%	203,821
Total Operating Expenses	4,682,409	2,570,649	55%	2,534,246	5,787,246	3,417,201	59%	3,403,484
Operating Income (Loss)	887,091	669,722		665,986	353,817	1,349,410		1,056,758
Nonoperating revenue (expense)								
Interest Income	59,437	71,802	121%	32,375	16,848	60,938	362%	28,249
Interest Expense/Debt Services	(573,410)	(572,296)	100%	(719,378)	(243,249)	(134,848)	55%	(158,960)
Principal Expense/Debt Services	(975,000)	(975,000)	100%	(1,115,000)	(310,296)	(42,962)	14%	(31,260)
Total Nonoperating revenue (expense)	(1,488,973)	(1,475,494)		(1,802,003)	(536,697)	(116,872)		(161,971)
Income before operating xfers	(601,882)	(805,772)		(1,136,017)	(182,880)	1,232,538		894,787
Operating transfers in	-	-		-	2,500,000	-		610,041
Operating transfers (out)	(220,000)	(128,333)	58%	(491,083)	(420,000)	(245,000)	58%	(399,132)
Net Income (Loss)	\$ (821,882)	\$ (934,105)		\$ (1,627,100)	\$ 1,897,120	\$ 987,538		\$ 1,105,696



City of Morgan Hill
Balance Sheets - Water and Sewer Funds
For the Month of January 2005
58% of Year Completed

	Sewer Operations (640)	Sewer Expansion Stabilization Capital Projects (641-643)	Water Operations (650)	Water Expansion Stabilization Capital Projects (651-653)
ASSETS				
Cash and investments:				
Unrestricted	2,119,828	6,197,365	3,633,298	4,146,729
Restricted ¹	1,893,855	6,425,859	406,576	6,047,844
Accounts Receivable		8,041		589
Utility Receivables	689,616		751,535	
Less Allowance for Doubtful Accounts	(16,091)		(19,501)	
Notes Receivable ²		10,306	273,763	
Fixed Assets ³	31,101,346	11,110,295	24,500,753	10,533,791
Total Assets	35,788,554	23,751,866	29,546,424	20,728,953
LIABILITIES				
Accounts Payable and Accrued Liabilities	274,435	110,628	75,951	
Deposits for Water Services & Other Deposits			38,538	
Deferred Revenue ⁴				
Bonds Payable	24,275,000		5,830,437	
Discount on Bonds and Other Liabilities	(2,565,506)		(978,154)	273,762
Accrued Vacation and Comp Time	53,325		91,554	
Total liabilities	22,037,254	110,628	5,058,326	273,762
FUND EQUITY				
Contributed Capital	7,735,831		14,356,292	
Retained Earnings				
Reserved for:				
Noncurrent water/sewer assets & debt	9,338,527	11,110,295	19,830,679	10,533,791
Encumbrances	109,369	266,360	503,101	384,033
Notes Receivable		10,306		
Restricted Cash	1,893,855		406,576	6,047,844
Total Reserved Retained Earnings	11,341,751	11,386,961	20,740,356	16,965,668
Unreserved Retained Earnings	2,409,549	12,254,277	3,747,742	3,489,523
Total Fund Equity	13,751,300	23,641,238	24,488,098	20,455,191
Total Liabilities and Fund Equity	35,788,554	23,751,866	29,546,424	20,728,953

¹ Restricted for Bond Reserve requirements and capital expansion.

² Includes Note for Sewer Financing Agreements.

³ Includes Water and Sewer infrastructure and the City's share of the Wastewater treatment plant.

⁴ Includes the deferred payment portion of the loans noted above.



City of Morgan Hill
Balance Sheets for Major Funds - Fiscal Year 2004/05
For the Month of January 2005
58% of Year Completed

ASSETS

Cash and investments:

Unrestricted

Restricted ¹

Accounts Receivable

Utility Receivables (Sewer and Water)

Less Allowance for Doubtful Accounts

Loans and Notes Receivable ²

Prepaid Expense

Fixed Assets ³

Total Assets

LIABILITIES

Accounts Payable and Accrued Liabilities

Deposits for Water Services & Other Deposits

Deferred Revenue ⁴

Bonds Payable

Discount on Bonds and Other Liabilities

Accrued Vacation and Comp Time

Total liabilities

FUND EQUITY

Contributed Capital

Fund Balance / Retained Earnings

Reserved for:

Noncurrent water/sewer assets & debt

Encumbrances

Restricted Cash

RDA properties held for resale

Loans and Notes Receivable

Total Reserved Fund Equity

Designated Fund Equity ⁵

Unreserved/Undesignated Fund Equity

Total Fund Equity

Total Liabilities and Fund Equity

General Fund (Fund 010)	RDA (Fund 317)	L/M Housing (Fund 327/328)	Sewer (Fund 640)	Water (Fund 650)
9,553,883	7,809,890	7,297,820	2,119,828	3,633,298
6,150			1,893,855	406,576
920,837	402	32,959		
			689,616	751,535
			(16,091)	(19,501)
429,782	3,600,554	28,389,173	411	273,763
7,681				
	71,049		31,101,346	24,500,753
10,918,333	11,481,895	35,719,952	35,788,965	29,546,424
995,981	713,465	27,189	274,435	75,951
33,990				38,538
429,782	3,625,719	28,530,124		
			24,275,000	5,830,437
			(2,565,506)	(978,154)
			53,325	91,554
1,459,753	4,339,184	28,557,313	22,037,254	5,058,326
			7,735,831	14,356,292
			9,338,527	19,830,679
400,870	2,452,849	43,818	109,369	503,101
	71,049		1,893,855	406,576
400,870	2,523,898	43,818	11,341,751	20,740,356
4,109,213				
4,948,497	4,618,813	7,118,821	2,409,960	3,747,742
9,458,580	7,142,711	7,162,639	13,751,711	24,488,098
10,918,333	11,481,895	35,719,952	35,788,965	29,546,424

¹ Restricted for Petty Cash use, Bond Reserve requirements and sewer and water capital expansion.

² Includes Housing Rehab loans, Financing Agreements for Public Works Fees and loans for several housing and Agency projects.

³ Includes Water and Sewer infrastructure, the City's share of the Wastewater treatment plant and RDA properties held for resale.

⁴ Includes the deferred payment portion of the loans noted above.

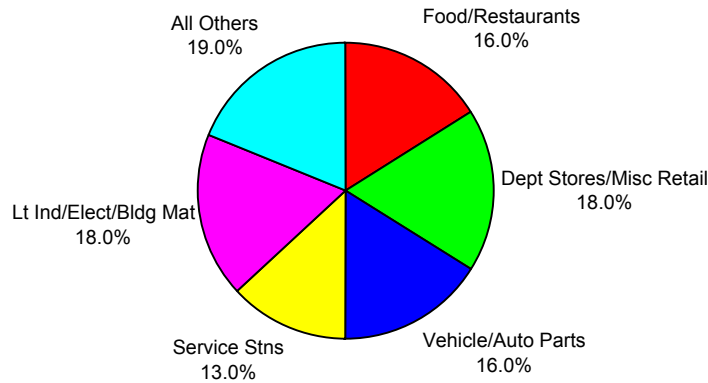
⁵ Designated as a general reserve.



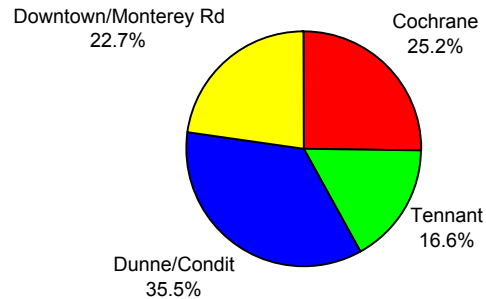
City of Morgan Hill
Sales Tax Comparison - Fiscal Year 2004/05
For the Month of January 2005
58% of Year Completed

Month	Amount Collected for Month for Fiscal Year			Amount Collected YTD for Fiscal Year			Comparison of YTD for fiscal years	
	04/05	03/04	02/03	04/05	03/04	02/03	04/05 to 03/04	04/05 to 02/03
July	\$307,500	\$338,300	\$367,600	\$307,500	\$338,300	\$367,600	(30,800)	(60,100)
August	\$401,200	\$451,000	\$447,000	\$708,700	\$789,300	\$814,600	(80,600)	(105,900)
September	\$518,724	\$232,994	\$361,932	\$1,227,424	\$1,022,294	\$1,176,532	205,130	50,892
October	\$223,145	\$316,100	\$354,915	\$1,450,569	\$1,338,394	\$1,531,447	112,175	(80,878)
November	\$299,300	\$421,400	\$474,800	\$1,749,869	\$1,759,794	\$2,006,247	(9,925)	(256,378)
December	\$442,460	\$331,624	\$384,154	\$2,192,329	\$2,091,418	\$2,390,401	100,911	(198,072)
January	\$708,525	\$349,500	\$368,600	\$2,900,854	\$2,440,918	\$2,759,001	459,936	141,853
February		\$428,600	\$487,195		\$2,869,518	\$3,246,196		
March		\$292,930	\$225,908		\$3,162,448	\$3,472,104		
April		\$340,500	\$292,698		\$3,502,948	\$3,764,802		
May		\$385,525	\$394,500		\$3,888,473	\$4,159,302		
June		\$261,782	\$477,624		\$4,150,255	\$4,636,926		
Year To Date Totals				\$2,900,854	\$4,150,255	\$4,636,926		
Sales Tax Budget for Year				\$4,600,000	\$4,650,000	\$5,330,000		
Percent of Budget				63%	89%	87%		
Percent of increase(decrease)							19%	5%

**Sales Tax Distribution
by Business Segment
Second Quarter 2004**



**Sales Distribution
by Area
Second Quarter 2004**





CITY COUNCIL STAFF REPORT ***FEBRUARY 23, 2005***

TIME ESTABLISHED FOR CITY COUNCIL PUBLIC HEARINGS

RECOMMENDED ACTION(S): Amend City Council Policy, CP-98-02 relating to the established time for City Council Public Hearings to reflect a 7:00 p.m. public hearing time, effective April 2005

EXECUTIVE SUMMARY:

The City Council has adopted, by policy, that public hearings at City Council meetings will be set no earlier than 7:30 p.m. The Council also has an adopted policy (CP-97-01) that establishes the order of the agenda as follows:

SECTION 5.1 The Order of Business at meetings of the City Council shall be as follows:

- A. CALL TO ORDER
- B. ROLL CALL ATTENDANCE
- C. DECLARATION OF POSTING OF AGENDA
- D. WORKSHOP (5:00-6:00 p.m., or as deemed appropriate)
- E. CLOSED SESSION (6:00-7:00 p.m., or as deemed appropriate)
- F. SILENT INVOCATION
- G. PLEDGE OF ALLEGIANCE
- H. PROCLAMATIONS/RECOGNITIONS
- I. CITY COUNCIL REPORTS
- J. CITY MANAGER REPORTS
- K. CLOSED SESSION ANNOUNCEMENTS/CITY ATTORNEY REPORT
- L. OTHER REPORTS
- M. PUBLIC COMMENT
- N. CONSENT CALENDAR
- O. LEGALLY NOTICED PUBLIC HEARINGS
- P. INTRODUCTION OF ORDINANCES
- Q. OTHER BUSINESS
- R. ROLL CALL VOTES
- Q. CLOSED SESSION
- T. FUTURE CITY COUNCIL AGENDA ITEMS
- U. ADJOURNMENT

There have been instances where the Council arrives to the public hearing portion of the agenda earlier than the designated 7:30 p.m. public hearing time only to defer the public hearings based on the Council's policy not to hear said items prior to 7:30 p.m. Notices of public hearings are published in the Morgan Hill Times and public hearing notices are mailed to residents located within a 300-foot radius of a proposed project requiring public hearing notification. It would be the public's expectation that they need not arrive at City Council meetings prior to 7:30 p.m. based on the public hearing notification.

At its meeting of February 16, 2005, the Council directed that the public hearing time be changed from 7:30 p.m. to 7:00 p.m. This change to the policy would allow for a smooth flow of the agenda without the need to delay Council business. Staff has returned with Policy No. CP-98-02, amending portions of the policy to reflect the Council's direction of the 7:00 p.m. public hearing time. Should the Council agree to amend this policy, staff recommends that the effective date for implementation be with the first Council meeting in April. The April date is recommended as public hearing notices for the Council's March 2 meeting have already been mailed to meet the 10-day notification requirement. The April 2005 date would allow staff the opportunity to notify all departments of the Council's amended public hearing time and begin its implementation.

FISCAL IMPACT: No budget adjustment required.

Agenda Item # 5

Prepared By:

**Council Services &
Records Manager**

Submitted By:

City Manager



CITY COUNCIL STAFF REPORT

MEETING DATE: February 23, 2005

Agenda Item # 6

Prepared By:

(Department Head)

Submitted By:

City Manager

APPROVAL OF RESOLUTION PROVIDING JOB TITLES AND COMPENSATION FOR TEMPORARY/SEASONAL JOBS

RECOMMENDED ACTION(S):

1. Adopt Resolution for Temporary/Seasonal Employees

EXECUTIVE SUMMARY:

It is necessary to add several temporary/seasonal job titles and compensation ranges in order to meet the growing needs of the City. This is particularly true in the City's Recreation Division. Historically, compensation for the few temporary, unrepresented positions were included as an addendum to the City's Management Resolution which establishes compensation and benefit packages for the City's Management and Confidential employees. However, with the growing number of temporary/seasonal jobs, and the fact that these jobs provide no benefits, it is appropriate that the City establish these unrepresented temporary/seasonal classifications and the compensation amounts for each position by separate resolution. Human Resources staff has compiled the attached classifications and compensation structure with assistance from the operational departments. Amendments to change the list of jobs or changes in the salary structure will be brought to City Council on an as-needed basis.

FISCAL IMPACT:

The funds for these temporary/seasonal employees are included in individual department's 2004-05 budgets.

LIST OF ATTACHMENTS:

ATTACHMENT A

Resolution

ATTACHMENT B

Proposed Job Titles and Classification Specifications for Temporary/Seasonal Workers

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL ADOPTING JOB TITLES AND COMPENSATION FOR TEMPORARY AND SEASONAL EMPLOYEES.

WHEREAS, the City Manager has presented to the City Council of the City of Morgan Hill a recommended set of job titles and salary ranges for temporary/seasonal jobs; and

WHEREAS, the City Council of the City of Morgan Hill has reviewed said recommendations;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Morgan Hill as follows:

City of Morgan Hill – Temporary/Seasonal Employees Salary Schedule (no benefits)

Temporary Positions	Hourly Wage		
	Step 1	Step 2	Step 3
Government Access Technician	\$15.00	\$17.00	\$19.00
Facilities Assistant	\$10.00	\$11.00	\$12.00
INTERNS			
College Intern (Bachelor's)	\$9.50	\$10.25	\$12.00
College Intern (Master's)	\$13.00	\$14.50	\$16.00
College Work Experience Student (No Specialty/Degree Program)	\$8.00	\$9.00	\$10.00
High School Work Experience Student	\$7.50	\$8.25	\$9.00
SEASONAL RECREATION DEPARTMENT POSITIONS*			
Clerical Assistant	\$11.00	\$13.00	\$15.00
Event Attendant	\$10.00	\$11.00	\$12.00
Recreation Leader I	\$7.75	\$8.65	\$9.45
Recreation Leader II	\$10.00	\$11.00	\$12.00
Recreation Leader III (Specialist – program planner – leading own special programs)	\$11.50	\$12.75	\$14.00
Lifeguard	\$9.50	\$11.00	\$12.50
Swim Instructor	\$10.00	\$11.50	\$13.00
Lead Lifeguard	\$12.00	\$13.50	\$15.00
*NOTE: \$1.00 per hour differential pay may be added to temporary recreation positions remaining beyond the regular season for a defined period of time.			

TEMPORARY RECREATION POSITIONS			
Recreation Program Coordinator	\$14.00	\$16.00	\$18.00
Recreation Instructor*	\$15.75		\$52.50
*NOTE: Hourly rate will depend on assignment.			
POLICE DEPARTMENT			
Graffiti Abatement Worker	\$12.50	\$14.25	\$16.00
Level I Reserve Police Officer	Step A Hourly Rate for Police Officer		
Level II Reserve Police Officer	90% of Step A Hourly Rate for Police Officer		
Police Officer Trainee	90% of Step A Monthly Rate for Police Officer; (Paid per Month, Not Per Hour)		

PASSED AND ADOPTED by the City Council of Morgan Hill at a Special Meeting held on the 23rd Day of February, 2005 by the following vote.

AYES: **COUNCIL MEMBERS:**
NOES: **COUNCIL MEMBERS:**
ABSTAIN: **COUNCIL MEMBERS:**
ABSENT: **COUNCIL MEMBERS:**

🦋 CERTIFICATION 🦋

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA,
do hereby certify that the foregoing is a true and correct copy of Resolution No. , adopted by the City Council at a Special Meeting held on February 23, 2005.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk

**CITY OF MORGAN HILL
SPECIAL CITY COUNCIL MEETING
MINUTES – FEBRUARY 9, 2005**

CALL TO ORDER

Mayor Kennedy called the special meeting to order at 6:00 p.m.

ROLL CALL ATTENDANCE

Present: Council Members Carr, Grzan, Sellers, Tate and Mayor Kennedy

DECLARATION OF POSTING OF AGENDA

City Clerk Torrez certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

PUBLIC COMMENT

Mayor Kennedy opened the floor to public comment for items not appearing on this evening's agenda. No comments were offered.

CLOSED SESSION:

City Manager Tewes announced the below listed closed session item.

1.

PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Authority

Government Code 54957

Public Employee Performance Evaluation:

City Attorney

Attendees:

City Council

OPPORTUNITY FOR PUBLIC COMMENT

Mayor Kennedy opened the Closed Session item to public comment. No comments were offered.

ADJOURN TO CLOSED SESSION

Mayor Kennedy deferred this closed session to the conclusion of the Council's other special meeting agenda. Mayor Kennedy adjourned the meeting to Closed Session at 7:02 p.m.

RECONVENE

Mayor Kennedy reconvened the meeting at 9:19 p.m.

CLOSED SESSION ANNOUNCEMENT

Mayor Kennedy announced that no reportable action was taken in closed session.

ADJOURNMENT

There being no further business, Mayor Kennedy adjourned the meeting at 9:20 p.m.

MINUTES RECORDED AND PREPARED BY:

IRMA TORREZ, CITY CLERK

**CITY OF MORGAN HILL
SPECIAL CITY COUNCIL MEETING
MINUTES – FEBRUARY 9, 2005**

CALL TO ORDER

Mayor Kennedy called the special meeting to order at 6:00 p.m.

ROLL CALL ATTENDANCE

Present: Council Members Carr, Grzan, Sellers, Tate and Mayor Kennedy

DECLARATION OF POSTING OF AGENDA

City Clerk Torrez certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

PUBLIC COMMENT

Mayor Kennedy opened the floor to public comment for items not appearing on this evening's agenda. No comments were offered.

City Council Action

OTHER BUSINESS:

1. PLANNING COMMISSION INTERVIEWS/APPOINTMENT

City Clerk Torrez presented the staff report, informing the Council that applicant Mike Davenport contacted her to advise that his employer is sending him out of the area on a business trip. Therefore, he would be unavailable to interview this evening. She informed the Council that she advised Mr. Davenport that she would forward his regrets to the Council and that it would be up to the Council to make the determination whether it wishes to continue his interview date or proceed with appointments this evening. She further advised Mr. Davenport that should the Council decide to proceed with an appointment this evening, Mr. Davenport could be considered to fill three (3) upcoming vacancies on the Planning Commission scheduled to expire on June 1, 2005. She recommended that the Council proceed with interviews with Ms. Susan L. Koepp-Baker and Mr. Lee Schmidt

The City Council proceeded to interview Ms. Koepp-Baker and Mr. Schmidt.

City Clerk Torrez inquired whether the Council wished to proceed with an appointment this evening or whether it would like to interview Mr. Davenport before making an appointment.

Action: *It was the consensus of the City Council to **proceed** with an appointment.*

Action: *Based on a ballot vote, the City Council **Appointed** Susan L. Koepp-Baker to fill one (1) unexpired term on the Planning Commission; term ending June 1, 2007.*

City Council Action

CONSENT CALENDAR:

Action: *On a motion by Mayor Pro Tempore Tate and seconded by Council Member Sellers, the City Council unanimously (5-0) **Approved** Consent Calendar Items 2-4 as follows:*

2. **BAY AREA UNITES – TSUNAMI FUNDRAISING EFFORTS – Resolution No. 5890**

Action: *1) **Adopted** Resolution No. 5890, Supporting and Commending “Bay Area Unites” – Tsunami Fundraising Efforts*

3. **SPECIAL CITY COUNCIL & SPECIAL REDEVELOPMENT AGENCY MEETING MINUTES FOR JANUARY 14, 2005**

Action: ***Approved** the Minutes as Written.*

4. **SPECIAL CITY COUNCIL & SPECIAL REDEVELOPMENT AGENCY MEETING MINUTES FOR JANUARY 15, 2005**

Action: ***Approved** the Minutes as Written.*

City Council Action

OTHER BUSINESS: (Continued)

5. **REPORT AND RECOMMENDATION REGARDING THE DRAFT FEBRUARY 2, 2005 CLEAN- UP AND ABATEMENT ORDER FOR THE OLIN SITE**

City Manager Tewes said that a draft clean-up and abatement order (CAO) is being issued by the Regional Water Quality Control Board (Board) with respect to perchlorate. He said that staff is bringing this item to the Council’s attention because of deadlines. He indicated that there is a deadline of February 25, 2005 for providing comments on the draft CAO. If a party wishes to request a hearing before the Board on the issuance of the CAO, they must be notified by February 11, 2005. He recommended that instead of seeking a separate public hearing that the City comment on the CAO. He informed the Council that he has received some notoriety in the press, and that this has gotten the attention of the City’s regulatory friends at the Board who wished that everyone would work closely together. He pointed out to the Board that the perchlorate plume extends both north and south of the Tennant site and that the City’s municipal wells have been impacted by perchlorate; noting that there are no other sources of perchlorate identified. Yet, the Board has issued an order that Olin Corporation should provide alternative water to everyone south of Tennant Avenue, but not to everyone north of Tennant Avenue. He said that it was his belief that Olin objected to the notion that they are responsible for perchlorate to the north. Because Olin has objected, he said that the Board has bifurcated the issue.

He indicated that Olin is not objecting to the clean up south of Tennant Avenue. Therefore, the Board will proceed with the draft CAO. However, Olin is objecting to their responsibilities north of Tennant Avenue. Therefore, this area is excluded from the CAO and that there is a separate process that is more evidentiary; leading to some science and analysis that might, in some point in the future, allow the Board to conclude that Olin is a discharger.

City Manager Tewes informed the Council that he has raised the issue in the press and in his conversations with the Board, that the City understands and does not wish to get in the way of the clean up and abatement order for the area south of Tennant. However, they should not expect the City to be satisfied with the pace in which things are going should the City have to go through a separate, analytical process that imposes a burden of proof on the regulator rather than on the discharger. He said that Olin was found to be the responsible party in October 2002 for everything south of Tennant Avenue. He indicated that a separate approach is not likely to occur until February 2006 or later, should Olin appeal. He said that it is staff's recommendation that the City prepare comments, indicating that he would be willing to share the comments with the Council and seek its approval before forwarding the comments. Should the Council instead wish to have an opportunity for the Board to hold a hearing on the CAO, the City needs to make the request by February 11.

Council Member Sellers thanked City Manager Tewes for taking an aggressive stand. He inquired why it is being recommended that the City not comment more widely. He inquired whether the City could be more aggressive without being divisive.

City Manager Tewes said that it was not his intent to be divisive. He noted that the City is a participant of the Perchlorate Working Group comprised of the Santa Clara Valley Water District, City of Gilroy, Santa Clara County and Morgan Hill. This group wants to work together toward a comprehensive approach. He said that the cities have as much concern about the rural areas and the agricultural wells. There is as much concern about the north as there is to the south of Tennant Avenue. He expressed concern that by bifurcating the issue, it would be easy for the Board to state that it has the northeast issue moving on a separate track. He recommended that the City comment on the draft CAO instead of asking for a hearing to have the CAO issued by the Board rather than the Executive Officer. He did not believe that it was in the City's interest to slow down the clean up order. He said that there are other avenues to discuss in closed session on how the City can bring these to the attention of the Board without specifically asking the Board to issue the CAO. He indicated that staff would return with comments for Council review.

Mayor Kennedy opened the floor to public comment. No comments were offered.

Action: *On a motion by Council Member Sellers, and seconded by Council Member Carr, the City Council unanimously (5-0) **Endorsed** the City Manager's recommendation of sending City comments on the draft CAO.*

FUTURE COUNCIL-INITIATED AGENDA ITEMS

No items were identified.

City Council Action

CLOSED SESSIONS:

City Manager Tewes announced the below listed closed session items:

1.

CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

Authority: Government Code Sections 54956.9(b) & (c)
Number of Potential Cases: 4

2.

CONFERENCE WITH LABOR NEGOTIATOR:

Authority: Government Code Section 54957.6
Agency Negotiators: City Manager; Human Resources Director
Employee Organizations:
AFSCME Local 101
Morgan Hill Community Service Officers Association

OPPORTUNITY FOR PUBLIC COMMENT

Mayor Kennedy opened the Closed Session items to public comment. No comments were offered.

ADJOURN TO CLOSED SESSION

Mayor Kennedy adjourned the meeting to Closed Session at 7:02 p.m.

RECONVENE

Mayor Kennedy reconvened the meeting at 9:19 p.m.

CLOSED SESSION ANNOUNCEMENT

Mayor Kennedy announced that no reportable action was taken in closed session.

ADJOURNMENT

There being no further business, Mayor Kennedy adjourned the meeting at 9:20 p.m.

MINUTES RECORDED AND PREPARED BY:

IRMA TORREZ, CITY CLERK

**CITY OF MORGAN HILL
JOINT SPECIAL AND REGULAR CITY COUNCIL
AND SPECIAL REDEVELOPMENT AGENCY MEETING
MINUTES – FEBRUARY 2, 2005**

CALL TO ORDER

Mayor/Chairman Kennedy called the special meeting to order at 5:32 p.m.

ROLL CALL ATTENDANCE

Present: Council/Agency Members Carr, Grzan, Sellers, Tate and Mayor/Chairman Kennedy

DECLARATION OF POSTING OF AGENDA

City Clerk/Agency Secretary Torrez certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

City Council Action

WORKSHOP:

1. URBAN LIMIT LINE/GREENBELT STUDY

Contract Planner Bischoff indicated that in July 2004, the City Council established a schedule by which it would be informed of the progress by the Urban Limit Line (ULL)/Greenbelt Committee (Committee). He stated that this meeting is intended to inform the Council with respect to the Committee's activities; to allow Council to ask questions about the recommendations the Committee has made to date; the process to be followed; and to allow the Council to suggest global changes and/or additions to the recommendations. He said that this is a check-in to determine whether or not the Committee is heading in the right direction and whether it is sufficient to allow them to conduct a community workshop to solicit input. He indicated that staff is requesting that the Council authorize the Committee to conduct the workshop and then complete its recommendation to the Council. When this item returns to the Council in the future (April), staff will be asking to make specific changes. At this time, it would be appropriate for the Council to hear from property owners and others about parcel specific changes being requested. The Council would then authorize staff to proceed with the environmental review. He informed the Council that the adoption of this effort will not occur until the environmental review is completed in fall 2005.

Mayor Kennedy acknowledged that in attendance this evening were many of the Committee members as well as property owners, interest groups and Planning Commissioners. He stated that he would reserve time for public comment. However, he stressed that the primary purpose of this meeting is to give the Council an opportunity to understand the work of the Committee. Therefore, this is not the time to

address specific property issues as there will be adequate workshops to do so. He said that it is important for the Council to understand the work product that is being presented.

Mayor Pro Tempore Tate noted that the process identified by staff gives the public one chance for input at one public session; expressing concern that citizens may not be able to attend the one meeting, or will wait to come directly to the Council. If this occurs, citizen comments will not go back to the Committee before coming to the Council. He stated that he would like to see a process developed where there is every opportunity for citizens to provide public input to the Committee, or have some other mechanism for written comments to be submitted to the Committee.

Mr. Bischoff informed the Council that the public will be able to provide input before the Committee forwards a recommendation to the Council. The public will also have an opportunity to provide input at the Council's hearing on April 2005. He said that the Committee could hold multiple community meetings if so directed by the Council. He stated that it is proposed to allow for written communications to be submitted as part of the process. He informed the Council that every Committee meeting has been open to the public and that they have been well attended. However, he suspects that the attendance has been by property owners as opposed to the public in general. He indicated that upon completion of the environmental review, the project would go before the Planning Commission for a public hearing and move on to the City Council. It was his belief that there would be several opportunities for the public to participate in the process.

Council Member Sellers recommended that the process allow public the opportunity to comment to the Committee before forwarding a recommendation to the Council. The process should include additional advertising and publicity.

Mr. Bischoff summarized the key recommendations of the Committee; addressing: 1) the urban limit line; 2) greenbelt; 3) southeast quadrant area; and 4) Implementation of the Plan. He informed the Council that a letter was attached in the report to the Council from property owners located on the southeast quadrant, requesting seven modifications to the subcommittee's recommendation. He indicated that these seven requested modifications have been addressed in some manner. He said that adoption of a Plan would result in fiscal costs for an industrial study, etc. He said that \$½ million is collected from TDC in lieu fees and some funding from the Open Space Authority, and that there may be other possible funding sources.

Mayor Pro Tempore Tate said that it was his belief that the reason for extending the timeline on this item was to develop an area plan for the southeast quadrant. He noted that staff is recommending that it be authorized to proceed with an area plan for the southeast quadrant. He stated that he did not understand what discussion has taken place by the southeast quadrant committee.

Mr. Bischoff said that the original scope of work approved by the Council for this project dealt with identifying an urban limit line and looking at implementation, in a general sense. The Committee, particularly former Council Member Chang, were adamant that the City needs to look at the issue of implementation in more detail (e.g., what areas/property would be purchased, what specific tools were going to be used, how would a program be administered to accomplish the goal). He said that it was his

understanding that a more detailed study on implementation was to be performed. He said that it was not his understanding that the City was to conduct an area plan. He said that an area plan would involve a lot of work; an expensive undertaking. It was his belief that an area plan would take approximately a year to develop and that the cost would be close to \$½ million.

Mayor Pro Tempore Tate said that it was his belief that the Council would be receiving a concrete plan for the southeast quadrant because the Council extended the timeline for the ULL Committee. He noted that the report did not come to the Council with a solid recommendation in terms of how to proceed with the southeast quadrant or whether there is a need for additional industrial land. It was his belief that this information would be part of the implementation of the General Plan.

Mr. Bischoff clarified that the recommendation states that there is to be 200 acres reserved for industrial use.

Mayor Kennedy said that when the Committee reviewed the southeast quadrant, thought was given to connect the ULL line along the urban service limit line. If the Committee was to have recommended this, it would send a message that the entire 1,200 acres would be developed; eliminating open space as part of the 1,200 acres. The City would have to rely on San Martin to provide an open space buffer in this area. At that time, he suggested that a subcommittee be formed to address this issue. He stated that the subcommittee spent a lot of time working on the best approach with respect to the southeast quadrant. He stated that a lot of effort went into this study in order to come to a basic agreement on the policies and criteria statements. He said that the primary result is the recommendation that an area plan be completed for this area that would allow the criteria to be met. The study was a result of several meetings with the subcommittee and property owners.

Council Member Carr inquired whether one is to assume that everything within the urban limit line, as depicted on the map presented, is to ultimately have urban development.

Mayor Kennedy responded that in general, urban development is proposed with some minor exceptions (e.g., existing parks).

Mr. Bischoff reminded the Council that this is a long term plan; 50-60 years out. He said that these are areas that would be available for urban development purposes.

Council Member Carr noted that it was stated that if the City was to connect the urban limit line to the urban service line, the City would be giving the impression that this entire area is open to development. By this same logic, he felt that everything east of Highway 101 that is not currently within the urban growth boundary would be open to development within the planning line. He noted that this would result in a similar number of acres on the east side of Highway 101. He inquired as to County involvement in this process and how the City should approach the County as it was his belief that the City would need the cooperation from the County to approve the plans.

Mr. Bischoff informed the Council that the County was a partner from the beginning of the project, including the development of the scope of work. They were eager to participate and partner with the

City. They particularly wanted to look at hillside development, however, the process took longer than envisioned, indicating that the County's resources are diminishing and that over the last six months; the County's participation has been reduced. He felt that there remains the commitment, on the County's part, to look at amending their land use regulations. Originally, it was thought the City would have the County adopt this plan as their own. He said that it is beginning to look less likely that this will be possible. He stated that there is a commitment and willingness, on the County's part, to amend their land use regulations. He felt that this was an opportunity the City should not miss.

Council Member Sellers noted that fiscal impacts have been identified from the industrial needs analysis area plan all the way through acquisition and administration. It was stated that there are seven possible opportunities for funding sources. He was not able to connect the initial funding sources with the initial two steps: 1) the needs analysis, and 2) specific plans. He inquired whether staff is envisioning that these two initial steps would be paid from the general fund.

Mr. Bischoff felt that an argument can be made that the industrial needs analysis could be funded by the Redevelopment Agency, assuming there was funding to do as it appears to be a legitimate Redevelopment Agency expense. He said that the preparation of the area plans are not located within the Redevelopment area and would need an independent revenue source. He said that there are no funds available to prepare the area plans. He informed the Council that the City collects a general plan implementation surcharge on planning and building permits that generates some money. However, this funding source is insufficient to prepare an area plan.

Council Member Sellers did not believe that the City has sufficient Redevelopment Agency funds to perform the industrial needs analysis. Further, he did not know whether this is the right use for these funds. Should the City proceed with this and adopts the plan, he inquired whether there would be an expectation, on the part of all involved, that the City would be undertaking the analysis and the plan soon. If so, he did not know where the City would find the money to perform these activities, setting up unreasonable expectations.

Mr. Bischoff said that there is a general feeling that the industrial study should be conducted soon. Further, there is an expectation that the area plan would be one that would be undertaken in a year or two upon the conclusion of the industrial study. He said that there was an interest, on the part of all committee members, in seeing the City proceed as quickly as possible with these items. He stated that there were committee members who felt that development in the southeast quadrant area could occur sooner and that it was important to complete these studies. Others felt that if the City is to be planning industrial development, that there is a 5-7 year time period necessary to get all the infrastructure in place and all approvals completed to have industrial land available. There is concern that in the next 5-7 years the City would be out of industrial land.

Council Member Sellers said that the Council will need to hear the recommendation as to where the funding source will come from to proceed with these studies.

Mr. Bischoff informed the Council that in April, staff will address possible funding sources.

Council Member Grzan noted that in order to develop to the urban limit line, the City would have to go through a number of steps, including moving the City Limit lines. This would require approaching LAFCO and other entities for annexation. He said that it would not be an automatic process that development would occur in the near future to build to this line.

Mr. Bischoff said that prior to development, the City's urban growth boundary line would need to be amended. Expansion of the urban service area would need to take place, followed by annexation; both subject to LAFCO's review. He noted that LAFCO has policies in place that discourage expansion of urban service areas or city limits when there is more than a five year supply of vacant land available within the current urban service area and/or city limits. He informed the Council that the City has a large inventory of vacant residential and commercial land. He said that the City may have up to 15-years of vacant industrial land. He said that it would more than likely be a long time before this area can be included within the city limits and developed.

Mayor Kennedy opened the floor to public comment.

Ralph Lyle inquired whether schools would be allowed in greenbelts. He did not know what staff meant by the statement that the American Anchorport properties would be allowed to develop. He inquired whether Morgan Hill would prioritize its funds for the southeast quadrant and the Open Space Authority would concentrate on the foothills. He noted that the eastern and western foothills are difficult to build upon where it might be more important to protect these areas. He noted that these studies would cost a lot of money to fund. He felt that these studies could be part of the general plan amendment cycle.

Mayor Kennedy said that the Committee looked at large group assembly facilities at the County's request. He stated that the Committee agreed with the policy adopted by the County to not allow schools in the greenbelt.

Mr. Bischoff indicated that if American Anchorpoint owns 112-117 acres and that they are willing to voluntarily place open space easements on 82 of these acres should the City allow homes to be built. He noted that these homes would be built outside the City limits. He said that they can go to the County and receive building permits on four lots at this time. The Committee is stating that if American Anchorpoint wants 20 acres added to the urban limit line, the conditions that the City would consider the request would require open space easements and that they build no more than four homes on Edmundson.

Brian Schmidt, Committee for Green Foothills, stated that the Committee for Green Foothills would like to see the ULL Committee be able to finalize their report. He said that this report is one perspective on what the City's long term future should be. He said that they are not asking for the ULL Committee to add additional meetings and that they should go ahead and present their perspective. He said that he would request that the Council consider perspectives that other individuals are working on as well. He said that the Committee for Green Foothills is trying to get back to the root of what started this process: protecting the greenbelt around the City of Morgan Hill. He expressed concern with the vastly expanded urban limit line going further east than the current urban growth boundary line and incorporating other areas. He said that the Committee for Green Foothills is looking at other ways to protect greenbelts. One possibility would be to require mitigation for the loss of open space associated

with development that occurs within the city. He informed the Council that the Committee for Green Foothills will be presenting an alternative perspective to the City as time goes on. He said that expansion outside the urban limit line would not be easy one for the City to solve.

Art Fuliaticco thanked the Mayor and Council for allowing him to be on the Committee as it has been a learning experience. He acknowledged the hard work of Mr. Bischoff and Ken Schreiber. He said that it was his belief that the Committee will come up with a good recommendation.

Michelle Beasley, South Bay Field Representative for Greenbelt Alliance and resident of Morgan Hill, stated that Greenbelt Alliance has always maintained that urban growth boundaries should be respected as much as possible. She said that the vast majority of individuals in Morgan Hill want Morgan Hill to retain its rural charm and to continue with a slow approach to growth. She stated that it was her understanding that the original purpose of this Committee was to create a greenbelt and not to bypass the urban growth boundary line, or bring in a whole new area for planning. She noted that the citizens of Morgan Hill again approved the City's residential growth control measure last year. Therefore, the inclusion of the southeast quadrant within the urban limit line would go against the City and its residents' law.

John Hewitt, speaking as a volunteer with the Santa Clara Valley Audubon Society and a resident of South County, stated that the Audubon society believes that it is important to have greenbelt around the City of Morgan Hill. They do not see a need for the establishment of an urban limit line at this time, particularly in the southeast quadrant. It is important to have a greenbelt separating Morgan Hill from San Martin as this is a goal in the general plan and would help parts of South County retain its rural character. By establishing an urban limit line in the southeast quadrant, Morgan Hill would be locking in development in this area. Without a greenbelt separating Morgan Hill from San Martin, he felt that the two towns would run together and eventually become one large urban area; detracting from the quality of life, and not meeting the goals of the general plan. According to the data he received from the City's planning department, he found that as of May 2004 there was an excess of 2,000 acres of vacant residential, commercial, and industrial land within the City Limits. Given the growth restrictions adopted by the people of Morgan Hill, he felt that there was ample land within the current city limits to accommodate growth for years to come. Therefore, he did not believe that there was a need to establish an urban limit line at this time. The Audubon Society believes that mitigation for the loss of open space and agricultural land based on CEQA law would be an appropriate way to fund the acquisition of land for the greenbelt.

Rocke Garcia stated that he was approached by a committee of a church in the vicinity of DeWitt and Spring Avenues. He noted that this particular area was not addressed at prior meetings and that he would like to make sure that this remains on the agenda. He stated his support of the minority report regarding the southeast quadrant. He recommended that this minority report be included in the final document.

Paul Swing thanked Mr. Garcia for bringing up the Westhill Church property at DeWitt and Spring Avenues. He requested the City not devalue properties and restrict development potentials for properties placed in the greenbelt, especially when development has occurred in the area. He said that he owns properties that will be impacted by the proposed greenbelt. He further requested that the Council work

toward an instrument that does not harm property owners who have purchased land based on the current development potentials.

No further comments were offered.

Council Member Grzan thanked staff for their outstanding efforts as it was not an easy Committee to work with. He indicated that the Committee did not achieve consensus and that the report before the Council is a majority report. He said that there are a number of members on the Committee who will hold to an alternate plan to the current urban boundary east of Highway 101 with the exception of 200 acres surrounding Tennant Avenue. He indicated that there are a number of members on the Committee who would like the City to take the plan in the form of an initiative process to make permanent the urban growth boundary. He said that there is a mechanism for funding such as the use of developer fees or in lieu fees to purchase development rights from greenbelt areas. He noted that the environmental groups have raised issues as to where the line is proposed. He said that he and the community have issues with the study and felt that there is an alternative that needs to be considered.

Council Member Sellers said that he was anxious that the process was not taken further. However, after hearing all the work that has gone into the study thus far, it is understandable. He did not believe that the Council would achieve a final resolution with this document and that further steps would need to be undertaken. He did not believe that preserving greenbelts and open space between Morgan Hill and San Martin, and wanting to develop industrial lands in appropriate ways in the southeast quadrant, as being at odds. He felt that it would take significant creativity and ability to look at fresh ways in this area. While he welcomes this opportunity, he stated that he was anxious about how it is to be undertaken. He did not believe that the City should wait until the next general plan update as suggested. He felt that there may be several reasons to undertake the studies sooner rather than later. However, in order to proceed with the studies, the City will need to identify resources. He acknowledged that a significant amount of work has gone into this study and the City is close to completion. However, he would like to see a study completed for the southeast quadrant and figure out a way to pay for it.

Mayor Kennedy inquired whether the Council would like the Committee to proceed with the schedule as outlined by staff, conducting a workshop followed by a Committee meeting before returning to the Council.

Council Member Tate noted that there is a minority report in the process of being refined, and that others are trying to find a solution that will encompass a compromise than the majority and minority reports are suggesting. He inquired whether there was an intermediate step that can be taken.

Mayor Kennedy noted that three meetings are being proposed: 1) a public hearing; 2) a subsequent ULL Committee meeting to finalize the report; and 3) the report to come before the Council for consideration. He noted that the property owners' report is included as an appendix in the document before the Council. He stated that there was not a majority in support of incorporating all suggestions made by the property owners. How the property owners' suggestions will be addressed will ultimately be the Council's responsibility. He felt that the Committee has taken these requests as far as it can, given the authority and limitations placed upon them.

Council Member Sellers stated that he was satisfied with the timeline. However, he felt that it was important that there be additional public notification on the final meetings of the ULL Committee and at the Planning Commission level in order to receive greater public input. He inquired whether the environmental groups would be preparing their own minority report.

Mayor Kennedy said that this has been a difficult process because interests are competing, (e.g., interest of protecting open space, property owners, and property owners wanting to protect their values). He felt that the Committee has done an excellent job in addressing this as best that they could.

Council Member Carr acknowledged that this is a difficult task. It was his understanding that the Committee will present a final report to the Council in April and that this will be the beginning of the process for the Council. He did not believe that this would be a unanimous report and that a minority report will be submitted. There will be other perspectives presented by other groups and individuals. He wanted the public to understand that when the Council receives the report in April, it will be the beginning of the Council's process and work. There will be a lot of work that needs to be done in order to complete the process. It was his hope that as many individuals participate in what is left of the public process in order to get their input into the process and to the Council. He said that a lot of work will take place before the Council states that it will proceed with a specific plan, or before stating that it would be willing to look at other lines.

Council Member Tate concurred with Council Member Carr's comments. He recommended that additional meetings be added, if needed.

Action: *By consensus, the City Council **Authorized** the Advisory Committee to Conduct a Public Meeting to Solicit Community Input and Finalize Their Recommendations.*

City Council and Redevelopment Agency Action

CLOSED SESSIONS:

City Attorney/Agency Counsel Leichter announced the below listed closed session items.

1.

CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

Authority:	Government Code Sections 54956.9(b) & (c)
Number of Potential Cases:	4

OPPORTUNITY FOR PUBLIC COMMENT

Mayor/Chairman Kennedy opened the Closed Session items to public comment. No comments were offered.

ADJOURN TO CLOSED SESSION

Mayor/Chairman Kennedy adjourned the meeting to Closed Session at 6:33 p.m.

RECONVENE

Mayor/Chairman Kennedy reconvened the meeting at 7:03 p.m.

CLOSED SESSION ANNOUNCEMENT

Mayor/Chairman Kennedy announced that no reportable action was taken in closed session.

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

At the invitation of Mayor/Chairman Kennedy, Peter Anderson led the Pledge of Allegiance.

PROCLAMATION

Mayor Kennedy presented Elaine Lui and Tiffany Schyuan with a proclamation, proclaiming the first week of February 2005 as *Future Business Leaders of America Week*.

PRESENTATION

Ariadne Delon Scott, representing Specialized Bicycles, presented the Council a packet of information regarding the upcoming cycling event. She stated that it is proposed to bring worldwide prestige to Morgan Hill with this event, bringing economic sustainability to the community and the joy of cycling/use of bicycles for transportation, fitness and fun. She informed the Council that Mike Sinyard, president of Specialized Bicycles, has challenged the Council to a big wheel race at the start of the race.

Rick Sutton with GaleForce Sports Marketing, and Tom Simpson, Principal with Pilarcitos Cycle Sports, outlined the plans for the cycling event and course description to be held in Morgan Hill on April 10, 2005, with events taking place from 8:00 a.m. to 4:30 p.m. It was indicated that the event would not be a burden to the City. The cycling event will provide its own marshals, equipment, items used to barricade/close the streets, timers, etc., including the cost for police officers. Should this event be approved by the City, Web Corp Builders have agreed to repair the surface of the Third Street bridge and get it ready for the race. The improvements would remain for the City to use and enjoy.

CITY COUNCIL REPORT

Council Member Sellers said that although he was not able to attend the State of the City address on Monday evening, he said that the Council held a retreat in January 2005. At the retreat, the Council agreed to reorganize the way it organizes itself in terms of its committees and subcommittees. He stated that he has been working with the Downtown Association for the past few years and that he was pleased

that they have weighed in and provided a positive response to the upcoming cycling event. He said that the Downtown Association is starting to look at, and evaluate these kinds of projects quickly and in this case, endorsing the event. He said that a similar event will be taking place in May with the first time that the Mushroom Mardi Gras will be held in the downtown area; indicating that the downtown community is welcoming this event as well. He indicated that the third event to take place later this year is the establishment of a property based improvement district as it will be an opportunity for the downtown community to fund itself and provide ongoing staffing support for these kinds of activities. He stated that he has been working with this organization. He also has been working with Council Member Carr on economic development activities; and is looking forward to working closely with the Chamber of Commerce on their economic development to maximize the types of businesses desired in the community. He indicated that the Council will be looking at its relationship with other agencies in the County and the region.

Mayor Pro Tempore Tate indicated that the Library Joint Powers Authority met last Thursday and finalized the plans for a two part mail in ballot due May 3, 2005 as follows: 1) Measure A asks voters to extend an existing \$33.66 parcel tax to maintain the current library hours and books; and 2) Measure B is for an additional \$1 per month tax to be added to the existing parcel tax so that the Monday closure can be restored. He stated that the community will be hearing much more from him on the two ballot measures for the library in the future.

CITY MANAGER REPORT

City Manager Tewes said that at the State of the City Address, the Mayor expressed the Council's commitment to deliver quality water to the community. Further, that the City would meet or exceed all state and federal water standards. He said that one of the things the Council has directed staff to do in order to exceed standards is to monitor and test wells more often than would otherwise be required, testing monthly. Using the testing protocol established by the California Department of Health Services, he reported that all City wells registered none detect for the chemical perchlorate.

CITY ATTORNEY REPORT

City Attorney Leichter indicated that she did not have a report to present this evening.

PUBLIC COMMENT

Mayor/Chairman Kennedy opened the floor to public comment for items not appearing on this evening's agenda.

Khris Bolla, San Martin resident, informed the Council that he received a call from a friend from Silicon Valley who thought about a Tsunami fundraiser. During the past few weeks, a group of individuals have extended the fundraiser events from the Indian community to other ethnic groups in the bay area. He indicated that a group met with the City of San Jose and stated that they are very supportive of their efforts with cash, police support, free parking, etc. The Cities of Fremont and Milpitas are also supportive of this effort. As a South County resident, he thought that it would be a good idea to get the

Cities of Morgan Hill and Gilroy to support the group in its efforts. He said that it would be helpful if the City endorsed the fundraising effort.

No further comments were offered.

City Council Action

CONSENT CALENDAR:

Mayor Pro Tempore Tate requested that item 10 be removed from the Consent Calendar.

Action: *On a motion by Mayor Pro Tempore Tate and seconded by Council Member Sellers, the City Council unanimously (5-0) **Approved** Consent Calendar Items 2-9 and 11-13 as follows:*

2. **INVENTORY PURCHASE FOR AQUATICS CENTER**

Action: **Approved** *Funding in the Amount of \$40,000 for Aquatic Resale Purchases From Unallocated General Fund.*

3. **APPROVAL OF ADDITIONAL APPROPRIATION FOR EQUIPPING BUTTERFIELD BOULEVARD WATER WELL**

Action: **Approved** *Appropriation of \$100,000 From the Current Year Unappropriated Water Impact Fund (651) Balance to Augment Funding for this Project.*

4. **APPROVAL OF REAL PROPERTY ACQUISITION AGREEMENT FOR NEW WELL EASEMENT**

Action: 1) **Approved** *Acquisition of a Well Easement; and 2) **Authorized** the City Manager to Execute a Real Property Acquisition Agreement with the Owner of APN 726-27-127, Subject to Review and Approval as to Form by the City Attorney.*

5. **SECOND QUARTER REPORT ON 2004-2005 WORKPLAN**

Action: **Accepted** *Report.*

6. **AMENDED RESOLUTION AUTHORIZING THE SANTA CLARA COUNTY DEPARTMENT OF AGRICULTURE AND RESOURCE MANAGEMENT TO ABATE WEEDS – Resolution No. 5889**

Action: **Adopted Amended** *Resolution No. 5889, Authorizing the Santa Clara County Department of Agricultural and Resource Management to Abate Weeds.*

7. **ORDINANCE NO. 1708, NEW SERIES**

Action: **Waived** *the Reading, and **Adopted** Ordinance No. 1708, New Series, and **Declared** That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and Further Reading Waived; Title as Follows: ***AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING A DEVELOPMENT****

AGREEMENT FOR APPLICATION MP-03-04: COCHRANE-BORELLO. (APN 728-34-007) (DA-04-06: COCHRANE-BORELLO).

8. ORDINANCE NO. 1709, NEW SERIES

Action: Waived the Reading, and Adopted Ordinance No. 1709, New Series, and Declared That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and Further Reading Waived; Title as Follows: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING AN AMENDMENT TO THE MORGAN HILL MUNICIPAL CODE INCORPORATING CHAPTER 18.17 ESTABLISHING AN R-4 HIGH DENSITY RESIDENTIAL DISTRICT.

9. ORDINANCE NO. 1711, NEW SERIES

Action: Waived the Reading, and Adopted Ordinance No. 1711, New Series, and Declared That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and Further Reading Waived; Title as Follows: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING THE ZONING DESIGNATION ON TWO SEPARATE AREAS TOTALING 7.07 ACRES WITHIN THE DOWNTOWN AREA AS DEFINED IN THE DOWNTOWN PLAN.

11. ORDINANCE NO. 1713, NEW SERIES, AS AMENDED

Action: Waived the Reading, and Adopted Ordinance No. 1713, New Series, As Amended, and Declared That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and Further Reading Waived; Title as Follows: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING THE ZONING DESIGNATION FROM ML, LIGHT INDUSTRIAL TO CO, ADMINISTRATIVE OFFICE FOR ONE PARCEL TOTALING 1.45 ACRES LOCATED AT THE NORTHWEST CORNER OF TENNANT AVENUE AND CAPUTO DRIVE. (APNS 817-29-027)

12. SPECIAL CITY COUNCIL COYOTE VALLEY SOUTH COUNTY STAKEHOLDERS WORKSHOP MINUTES FOR JANUARY 12, 2005

Action: Approved the Minutes as Written.

13. MID-YEAR 2004-2005 BUDGET ADJUSTMENTS

Action: Approved Proposed Mid-Year Budget Adjustments for FY 2004-2005.

10. ORDINANCE NO. 1712, NEW SERIES

Mayor Pro Tempore Tate said that this ordinance was part of the improvement to the Downtown Plan Implementation Measures as set forth by staff. He noted that the Planning Commission recommended that the Council defer changing the parking regulations until the Council thoroughly reviews and understands the parking impacts to the downtown and whether it is a pocket area issue versus the overall area that had sufficient capacity. In the Council's haste to get through the action items, the Council moved to introduce the ordinance. He recommended that the ordinance be tabled until such time that the Council receives the parking study results.

Action: *On a motion by Mayor Pro Tempore Tate and seconded by Council Member Carr, the City Council unanimously (5-0) Agreed to Table Ordinance No. 1712: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING TEXT AMENDMENTS TO THE MORGAN HILL MUNICIPAL CODE CHAPTER 18.50 OFF-STREET PARKING AND PAVING STANDARDS.***

City Council and Redevelopment Agency Action

CONSENT CALENDAR:

Action: *On a motion by Mayor Pro Tempore/Vice-chairman Tate and seconded by Council/Agency Member Sellers, the City Council/Agency Board unanimously (5-0) Approved Consent Calendar Items 14-15 as follows:*

14. IMPROVEMENT AGREEMENTS AND SUBDIVISION AGREEMENTS INSURANCE REQUIREMENTS

Action:

Acting as the Redevelopment Agency Board:

1. **Granted** to South County Community Builders, for the Viale Project, an Amount, not to Exceed \$21,000, Necessary to Reimburse South County Community Builders for the Incremental Cost of Purchasing a Liability Insurance Endorsement that would Extend Coverage for “Completed Operations” or “Your Work” to the City of Morgan Hill as an Additional Insured, so that South County Community Builders may meet the Requirements of its Subdivision Improvement Agreement with the City; and

Acting as the City Council:

2. **Amended** the Improvement Agreements and Subdivision Improvement Agreements Insurance Policy as Described in the Staff Report.

15. SPECIAL AND REGULAR CITY COUNCIL AND SPECIAL REDEVELOPMENT AGENCY MEETING MINUTES FOR JANUARY 19, 2005

Action: **Approved** the Minutes as written.

City Council Action

CONSENT CALENDAR:

Mayor Pro Tempore Tate requested that item 16 be removed from the Consent Calendar as he would be recusing himself from this item.

Council Member Sellers requested that item 17 be removed from the Consent Calendar as he would be recusing himself from that item.

16. AWARD OF MAINTENANCE CONTRACT FOR SANITARY SEWER ROOT ABATEMENT PROJECT

Mayor Pro Tempore Tate stepped down from the Dias.

Action: *On a motion by Council Member Sellers and seconded by Council Member Carr, the City Council, on a 4-0 vote with Mayor Pro Tempore Tate absent, 1) **Awarded** Maintenance Contract to Pacific Sewer Maintenance Corporation for the Sewer Root Abatement Project in the Amount of \$144,750; 2) **Approved** 5% Construction Contingency Funding of \$7,250; and 3) **Appropriated** From the Current Year Unappropriated Sewer Capital Fund (643) Balance a Total of \$152,000.*

Mayor Pro Tempore Tate resumed his seat on the Dias.

17. ORDINANCE NO. 1710, NEW SERIES

Council Member Sellers stepped down from the Dias.

Action: *On a motion by Council Member Carr and seconded by Mayor Pro Tempore Tate, the City Council, on a 4-0 vote with Council Member Sellers absent, **Waived** the Reading, and **Adopted** Ordinance No. 1710, New Series, and **Declared** That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and Further Reading Waived; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING THE ZONING DESIGNATION ON 11.13 ACRES WITHIN THE DOWNTOWN AREA AS DEFINED IN THE DOWNTOWN PLAN AS THE AREA LOCATED BETWEEN THE SOUTH SIDE OF EAST CENTRAL AVENUE AND NORTH OF EAST MAIN AVENUE, BETWEEN MONTEREY ROAD AND THE RAILROAD TRACKS. (APNS 726-23-001 THRU 015).***

Council Member Sellers resumed his seat on Dias.

Redevelopment Agency Action

OTHER BUSINESS:

18. QUARTERLY REPORT FROM THE CHAMBER OF COMMERCE (CHAMBER) ECONOMIC DEVELOPMENT PARTNERSHIP

Director of Business Assistance and Housing Services Toy presented the staff report, informing the Agency Board that in December 2004, the Council approved an agreement with the Chamber to provide supplemental economic development activities. As a condition of this agreement, the Chamber is required to provide quarterly status updates of their activities. He informed the Council that the

Chamber recently completed their status report for their first and second quarters as well as developing some performance measures. Staff felt that it would be beneficial to the Agency to ask the Chamber to make a presentation on this information and to allow the Agency Board to hear and accept the report.

Alex Kennett, Chair of the Chamber of Commerce's Economic Development Committee (EDC), said that changes have been made to the EDC, adding new members, (e.g., members from the education and environmental communities), and rounding out the business community to make sure that everyone is at the table. He indicated that the EDC meetings have 20+ individuals in attendance and that there is a good exchange of information. He thanked Mr. Toy and staff member Joyce Maskell for helping to coordinate the EDC's efforts. To be presented to the Agency Board are the results of the EDC and the Chamber's efforts. He informed the Council that two quarterly reports would be presented this evening.

Bob Martin, marketing staff member for the Chamber, stated that before the Agency Board are two quarterly reports and that he would be happy to answer any questions it may have on the reports. He said that the results of an economic focus are starting to show. He said that in the third fiscal quarter of this year there was an increase in sales tax revenue of 38% over the previous year. He stated that the Chamber has put together a matrix per the conversation held in the Council Chambers in December. He reported that the Chamber is at approximately 11% of budget expenses through the first half of the fiscal year. While it is anticipated that they will spend the budget, to have the results that has been seen with the minimal expenses, he felt is a satisfactory accomplishment.

Agency Member Sellers said that the report is encouraging. He stated that he appreciated the opportunity of seeing the matrix as it provides the Agency Board a quantifiable way of looking at the undertakings of the Chamber. He inquired as to the plans for the private partnership funds and to its progress to this point.

Mr. Martin informed the Agency Board that John Varela works with the Chamber on the sales side. He said that for the first 6-8 months of the year, Mr. Varela made a concerted effort and made several dozen contacts with likely candidates for sponsorship packages. The Chamber found that it was a very competitive market for individuals willing to invest in this effort. He felt that the Chamber fell short because they were ambitious in terms of the size of the partnerships they were seeking at the expense of smaller businesses that would have been willing to invest in more tactical endeavors as opposed to strategic sponsorships. He stated that this has been a learning process as well as a function of the economy in terms of the initial fundraising efforts. However, he stated that the Chamber is still optimistic.

Agency Member Carr appreciated that a matrix was put together in order to be able to identify the baselines. He commended the Chamber on the tourism aspect. He indicated that he was able to attend the last Tourism Advisory Committee meeting and hear the plans the Chamber has regarding tourism. He said that this is an area that he has had a lot of questions and concerns about. He noted that there are now specific ideas and specific areas to focus on, including goals to achieve.

Mr. Martin said that the Chamber laid out a plan for tourism in Morgan Hill and that it is an opportunity to position the City as a get away destination, a place where individuals would come for a day or a

single overnight stay. He stated that the Chamber has taken a 120-mile radius from Morgan Hill and put together a plan over the course of a year that includes advertising, public relations, familiarization trips and specific packages where individuals would come to Morgan Hill and stay in local hotels, golf at local golf courses, etc. He stated that the Chamber is taking a regional perspective on the particular package, but is developing a strategy that focuses on individuals who are willing to drive to Morgan Hill. The Chamber understands that this is a competitive market. He indicated that the matrix is a collaborative effort between the EDC and the City and that some of the goals come from this basis.

Action: *On a motion by Vice-chairman Tate and seconded by Agency Member Sellers, the Agency Board unanimously (5-0) **Accepted** the report.*

City Council Action

Mayor Kennedy reopened Consent Item 6 to public comment.

Paul Ealey indicated that last month, the Council considered the issue of weed abatement. At the meeting, he raised concerns and requested that the Council investigate his concerns. He informed the Council that he was amazed as to how quickly the City moved to address his concerns. He stated that it has been a pleasure dealing with City and County staff. He said that Debbie Craven and David Bruni with the Santa Clara County Fire Marshal's office came to his home the following day and took a look at his property as well as adjacent properties. They concluded that the problem was not his. He thanked the City for all its time and the manner in which staff presented itself.

OTHER BUSINESS:

19. SWIM TEAM RESERVATION POLICIES AT THE AQUATICS CENTER

Recreation and Community Services Manager Spier informed the Council that staff is hoping to bring resolution to an issue that has been occurring with swim teams since the opening of the aquatics center. She said that there are enough community members who would like to use the pool and that it has become an issue. She said that staff is trying to find a way to have everyone utilize the 50-meter competition pool in order to keep the aquatics center open in the off season. She said that staff has worked with the two swim teams, trying to figure out an equitable way to assign lanes. She stated that as the City's community programs grow, staff has had to reserve four lanes in order to monitor and work with the City's masters program, leaving 13 lanes available for swim team use. She informed the Council that staff requested the two teams submit their lane requests for the March 1 through August 31 time period. She indicated that there are more requests for lanes than the total amount of lanes available. She stated that the Morgan Hill Swim Club would like to reserve 13 lanes and the El Toro Swim Club 5 lanes. She said that the City would not be able to sustain all lane requests with the 13 lanes available. Staff has tried to work with both swim teams to reach consensus for the use of the swim lanes. She indicated that the roundtable discussions have not proven to be fruitful.

Ms. Spier said that staff looked at what other cities are doing; one being a "first come, first served" reservation policy. Other cities give use to the prime team, a team considered a local home team. Staff is

advocating a system whereby the City can keep both teams in the pool at the same time. She addressed how the two swim teams would be able to have a chance to purchase the use of swim lanes. She said that the idea would be for each time to fill out a request form, providing the City with a \$100 non-refundable fee for the purchase of a ball, up to 13 balls. At a designated time, representatives from the swim teams would be present and staff would draw 13 balls. Whatever the ratio of balls pulled, would determine the lane assignments. She acknowledged that the smaller team may get all of their chances awarded. If this occurs, the larger swim team may find that the remaining lane assignments would not be sustainable for their practices and may use another pool facility. If this should occur, staff would need to analyze its cost recovery and the City's ability to sustain being open during the months of March - June. She said that staff has put a lot of time and effort in trying to figure out lane assignments and that staff needs to focus on swim lessons and summer aquatics programs. She said that the final approval for lane assignments lays with staff, as staff needs to know who is using the lanes and for what purposes. She stated that teams can negotiate the use of lanes between themselves, but that the reservation forms have to show who's assigned to which lanes.

Council Member Sellers understood the explanation for not refunding the \$100. However, he felt that there may be a process by which the \$100 can be incorporated into the fees the swim teams pay in the next couple of months.

Council Member Grzan inquired as to the number of participants per swim team. He questioned the fairness in the number of participants on each teams and the number of lane assignments that may result.

Ms. Spier said that staff made a decision not to discuss coaching styles as this is not a City role. Therefore, the City diverted away from lane assignments based on the number of participants. She said that the Council has a mandate that 60% of the participants in the water need to be Morgan Hill residents; indicating that staff will be monitoring this percentage. In order to be considered a resident team, there needs to be 60% Morgan Hill residents on the roster and participating in the water. She clarified that there is not a team advantage by exceeding the 60% residency requirements.

Aaron Himelson, Aquatics Supervisor, said that staff secured energy audit reports from PG&E that were used to calculate the base user fees. Staff looked at the ratios for keeping the 50 meter pool open and other associated costs with the aquatics center. He said that \$1,000 is the fee calculated to operate and maintain the lanes.

Council Member Grzan requested that staff furnish him a cost per month maintenance for the aquatics center.

Ms. Spier indicated that the City has not established a maximum number of swimmers per lane and that this number has been left to the coaches. She said a coach is someone who is USA Swimming certified and is recognized as a USA swimming coach. She clarified that if a team purchases any number of lanes, they are responsible for all lanes, unless they negotiate with the other team and the reservation form is changed.

Mr. Himelson indicated that before a coach can utilize the aquatics center, they must have coach's safety training certificates from the American Red Cross, CPR, a basic first aid class and a current registration through USA Swimming. Therefore, the coaches are recognized as USA swimming coaches.

Mayor Kennedy recommended that the wording relating to team lockers be changed to team restrooms so that it is known that a swim team has priority for its use. He concurred that it would be appropriate to deduct the \$100 per lane cost from the fees. He inquired whether an interim solution could be implemented now until June, such that the City would assign the lanes as currently done, (10 & 3 lanes, 4 lanes assigned to the city). In the meantime, the Parks & Recreation Commission, (PRC), can study the issue of lane assignments in depth, looking at the entire picture such as the availability of the Sobrato and Live Oak High School pools in addition to the aquatics center. The PRC can come up with recommendations for the Council to consider. This would address the imbalance apportionment of the lanes.

Ms. Spier clarified that there is no requirement that team members need to take City swim lessons. All that is required is that swimmers pass a swim test.

Mayor Kennedy opened the floor to public comment.

John Rick said that this is an important issue on how this facility is viewed by the USA Swimming for training purposes, as well as what it means to the Morgan Hill Swim Club. He distributed handouts to assist the Council in following his presentation. He stated that he was in attendance on behalf of the Board of Directors for the Morgan Hill Swim Club. He said that the Swim Club will support staff's proposed policies and procedures this evening, however, with some trepidation, as proposed. It is understood that the demand is in excess of supply. He said that the 50 meter competition pool is a prime training real estate. The Board went on record in support of the proposed policies and procedures. He indicated that the Council has received a listing of the Morgan Hill Swim Club's contributions, including the range of estimated financial support made to the aquatics center. He felt that the Morgan Hill Swim Club has given the City everything possible to make the aquatics center work. He said that while the Morgan Hill Swim Club has had some significant disagreements with staff regarding the facility, the Board has always worked out issues to staff's approval without escalating any dissatisfaction to City Hall or City Council. He presented a table that lists all 22 teams in the zone, and the training facilities that each team has, with the exception of the Morgan Hill Swim Club and the lanes assigned for training. He said that the Morgan Hill Swim Club and Silicon Valley San Jose Aquatics are listed. He noted that according to USA Swimming, as of today, there is no registered licensed team in California by the name of El Toro Aquatics.

Mr. Rick said that the greatest shortfall in the proposed "game of chance" is the probable outcome whereby the Morgan Hill Swim Club will not be afforded enough lanes going forward to be able to continue to train at the aquatics center. They will need to accept and deal with this fact if this is the end result. He indicated that the Morgan Hill Swim Club has had to drive as far away as Lynbrook High School near Cupertino to train. Other high schools in the area have indicated that they need all their lanes and therefore they cannot go elsewhere. He stated that the Morgan Hill Swim Club schedules all of its activities around staff and swimmers. He noted that the two swim teams compete at meets, as well as

compete for the use of the same water at the same time. He said that when the San Jose Swim Team came to Morgan Hill several years ago with approximately \$800,000, it promoted heavily the fact that their monthly dues were approximately 40%-50% less than Morgan Hill Swim Club dues. He informed the Council that it is Morgan Hill Swim Club's goal to be the largest team in the Morgan Hill area, and that they want a place to call home like every other team in the zone. He presented a history of the two swim teams and the use of the lanes the past summer (13-4 lane split). He said that there a lot of ongoing cooperative efforts between City staff and the Morgan Hill Swim Club. He felt that the right thing for the City to do this summer is to repeat the 13-4 lane split at the center. He said that allowing the San Jose Aquatics/El Toro Aquatics to train in Morgan Hill exclusively at one of the School District pools without Morgan Hill Swim Club's involvement, would be an alternative should they want to maintain a Morgan Hill program. He felt that this scenario will optimize capacity utilization and defuse friction. He said that the Morgan Hill Swim Club reaches out to any member of the board of directors of the San Jose Aquatics–El Toro Aquatics members in the audience in order to end this craziness and agree to the request for the good of the community, the facility, swimmers and the good will of USA Swimming. He noted that for the past four years, the Morgan Hill Swim Club has represented the City across the Country in USA Swimming. During this period, he stated that Morgan Hill residents had a choice of deciding which team to train and compete for. Over the years, swimmers from Gilroy, San Martin, Hollister and San Jose have chosen to train and compete for Morgan Hill. Of the 223 registered swimmers, 189 are Morgan Hill residents and 34 (16%) are not. He felt that there have always been choices about swim clubs. He said that Morgan Hill Swim Club supports the municipal model/home team concept addressed in the staff report; even if it means that the Morgan Hill Swim Club does not fit in and has to go elsewhere. He informed the Council that the names of the two clubs in USA Swimming are Morgan Hill Swim Club (aka Makos) and Silicon Valley Aquatics Association (aka El Toro Swim Club).

Geno Acevedo noted that it is being proposed to charge \$100 for a chance to win something of perceived value, (e.g., lane assignments). He questioned whether the City could institute a form of gambling. He felt that charging for lanes should be conducted in an equitable format. Further, that it would be more equitable to charge a dollar per lane per hour of use, charging a separate amount for long course lane for additional swimmers. He endorsed Mayor Kennedy and Council Member Grzan's suggestion of continuing this item until the PRC has had a chance to review this item in more detail. Further, that the City retain the policy, as suggested, until the PRC comes up with a policy to suggest to the Council.

Cindy Acevedo, Vice-President of the Morgan Hill Swim Club, informed the Council that there has been a lot of disputes about lane assignments and time of use. She noted that peak hours are from 3-7 p.m. She informed the Council that their roster contains 168 year round members as of November 30, 2004. She said that the last time the Morgan Hill Swim Club met with staff to discuss the lane assignments, the winter months were going to be controlled/subsidized by Morgan Hill Aquatics Center, Inc. This group was to make the decisions as far as lane assignments and that it was their expectation that this was going to take place. However, in meeting with staff on September 2, 2004, Bill Thompson and Greg Cutler with Silicon Valley Aquatics were in attendance and opted out of being a recipient, or from participating with the foundation. She said that Morgan Hill Swim Club has tried to come to resolution with the El Toro Aquatics representatives; spending several hours speaking with Mr. and Mrs.

Enriquez to come up with an alternate solution to the lottery suggestion. She stated that she is reluctantly suggesting that the City move forward with the lottery, even though she does not agree with this solution as it is not a fair one. She stated that it was her understanding that the Morgan Hill Aquatics Center, Inc. has paid funds to the City's aquatics center to help offset costs.

Bob Martin disclosed that he has two sons that swim for the Morgan Hill Swim Club, but that he was not in attendance to represent them this evening. He was in attendance as an independent taxpayer and business person. He stated his endorsement of Mayor Kennedy's suggestion that this item be referred back to staff. He felt that it was tenuous, if not foolish, to base a business on chance when you talk about an aquatics center that the City is looking for full cost recovery; leaving it to a game of chance. He did not believe that the proposed lottery was subjective as there are only two entities that are being allowed to participate. He finds this offensive and exclusionary as a taxpayer. He felt that it was a risky proposal as the larger team with the deeper pockets can take more balls and ostensibly take over the 13 lanes, cutting out the other team. While he congratulates staff for creating a success that caused this dilemma and thinking out of the box, he would endorse sending the lane issue back to staff to reevaluate an appropriate resolution. He did not know whether a precedent exists for a lottery in City policy other than for Measure C. He said that the solution the City offers with the aquatics center will lay the framework for other city facility demands.

Lori Mains stated that she has two children who swim for the Silicon Valley Aquatics Association, indicating that the San Jose Aquatics Association no longer exists. She indicated that her sons originally started swimming for the Morgan Hill Swim Club eight years ago, however, her sons were not successful under this program and eventually swam under El Toro Aquatics. She requested that her children be given a choice of swim club as there are different programs and coaching styles. She stated that staff has worked long and hard to come up with an equitable situation and that parents have tried hard to be fair and work toward an equitable solution for the use of swim lanes. She said that Morgan Hill parents would like to be able have their children swim in Morgan Hill and co-exist with the other swim club(s).

Donna Cretcher stated that El Toro Aquatics has no choice but to support the lottery. She thought that El Toro Aquatics went to staff with lane requests on December 31, 2004 that were reasonable. El Toro Aquatics requested 3-4 lanes for the spring season and requested 5-6 lanes during the summer season as it was thought that this would be a good sharing of the pool. It was then realized that the Morgan Hill Swim Club wants to use of the entire pool. She stated that the Morgan Hill Swim Club offered El Toro Aquatics to join their club and combine teams. She said that the Morgan Hill Swim Club did not listen to Mayor Kennedy's suggestion at the last Council meeting when they were asked to look at the way they are handling the Foundation's money. She indicated that El Toro Aquatics is willing to share the pool and be cooperative. She said that El Toro Aquatics would like to have the eliteness of swimming with one or two kids in a lane; however, it is not reasonable, practical or affordable. She stated that this has nothing to do with coaching styles, but has to do with trying to work things out. She expressed concern with the higher requirements as identified under item 16. She noted that the only requirement to joining a swim team is to be able to swim a 25-free and 25-backstroke and that these requirements have been increased. It appears that an individual cannot join a swim club unless the City approves it. She said that she misunderstood Mr. Enriquez and that it was her belief that the Acevedos denied a formal meeting.

She apologized for the miscommunication, indicating that there have been phone conversations, but no meetings held. She felt that the Morgan Hill Swim Club needs the aquatics center all to themselves, recommending that El Toro Aquatics utilize Live Oak High School or Gunderson High School pools. It was her hope that there would be cooperation and communication, indicating that this has not been possible and that the problem has been ongoing for two years.

Marian Sacco indicated that the El Toro Swim Team has 69 children on the roster and that 70% are Morgan Hill residents. She stated that she has helped fund raise for both swim clubs. She said that it was frustrating that the teams cannot get together. She said that the El Toro Aquatics only wants five lanes. She felt that time was needed to work out the differences between the two teams. Separating the teams by miles or distance would only keep the friction in place. By swimming together, there may be some opportunities to do things together and build comradery between the two teams. She clarified that El Toro Swim Team is a part of Silicon Valley Aquatics, a satellite operation consisting of Morgan Hill residents.

No further comments were offered.

Council Member Carr indicated that the Council has been hearing about this problem for months. It has always been his hope that parents keep kids in mind and that he was not sure that this is being done. He noted that the aquatics center will open in three months for the summer and that its lifeblood is the summer. The City needs a successful summer in order to keep the aquatics center open and keep the swim teams active during the winter months. He stated that he would not support sending this item to anyone else. He noted that a lot of staff and Council time has been spent on this issue and no other solution has been brought forward. He said that the City needs to move forward and into the summer, allowing City staff to put together a successful summer program in order to keep the aquatics center open next year. Otherwise, citizens will be complaining that the aquatics center is not open during the winter months and the Council will have different sets of complaints to work on. He agreed that the lottery is not objective and not the way to run a business. However, when you run a business that relies on the summer's success, the City cannot waste staff's programming time to settle arguments on who will be reserving certain lanes. He felt that the \$100 non refundable fee is a reasonable amount. When a swim club buys a chance, the club buys the responsibility of the lane, and should not be allowed to return the lanes, being responsible for the full cost of the lane(s). He stated his support of staff's recommended actions this evening.

Council Member Grzan felt that the Council has a responsibility for the equitable distribution of City services; services that are not subject to a lottery. He noted that there is one team who has 189 swimmers and another team with 69 swimmers. He recommended that lanes be distributed fairly, based upon the number of children on a particular swim team. It was his belief that this item should have gone to the PRC and let them decide how to resolve this issue. He noted that the City has a \$1.2 million deficit to deal with and that it has a number of major projects to be built, policies to address, etc. He noted that a great amount of Council time has been spent on this issue last week and this evening. He noted that the Council has established advisory groups that are set up for the purpose of handling issues similar to this. He felt that the Council needs to make use of its commissions. Otherwise, the Council will spend several

hours on these types of issues and let serious issues go by without time to address them. He stated that he would not support the lottery and that he looks toward another solution.

Mayor Pro Tempore Tate felt that it was obvious that the problem should have resolution, but has not resulted in one to date. He said that staff has been involved in trying to work out compromises and that Mayor Kennedy and Council Member Sellers have also been involved in trying to work out a compromise. He did not know whether the PRC has been involved with this issue. He felt that the buck needs to stop at the Council level. He agreed with several of the comments raised by Mr. Martin in terms of having problems with the lottery. He did not want to place the City in a situation where it ends up losing, maybe driving one of the clubs away. He had doubt that additional negotiations would result in resolution. However, on the other hand, if the kids swim together they will be close to each other. He did not believe that the Council needs to go to the PRC to decide on the lane split, and that it should be the Council who should assign the split.

Ms. Spier indicated that the City wants to utilize 4 lanes for City programming. She said that at one time, the lane split was 10 and 3. Today, the split is 10 and 4 as the City gave up one lane to smooth things out.

Council Member Sellers said that one solution would be to add up the kids on each team roster and divide it by 13 lanes; you would end up with roughly 9 and 4 lane split. This is an option that the Council could use this evening. He noted that one of the swim clubs has indicated that they do not need more than 5 lanes. Should the City proceed with the lottery, you could end up with an 8-5 split. He said that the Council could decide on a 9-4 lane assignment or an assignment close to this split through the spring season. He felt that the Council needs to find resolution to this issue and move forward. Further, that the Council tries to find a long term solution that minimizes staff time and energy on the issue. He would support proceeding with the lottery or making lane assignments.

Mayor Kennedy said that he favors sending this issue to the PRC to work out the long term solution as it is their role to do so. However, he does not want staff to get bogged down on this issue, having to spend more time on this issue. He stated that he would support making a lane split this evening, referring the ultimate solution to the PRC decision. He inquired whether this recommendation would involve a lot of time.

Ms. Spier said that referral of a long term solution to the PRC would increase her workload; an appropriate referral. However, it would relieve the aquatics supervisor; an alternative that she would prefer.

City Manager Tewes said that the referral of a long term solution to the PRC would impact staff as it is staff that works with the PRC through several meetings, and would need to bring the PRC up to speed on the issue. He noted that Ms. Spier is the principal project manager for the library and that the Council has identified that they would like it built sooner rather than later. To the extent that she is working on this item, she is not working on other items.

Council Member Grzan did not believe that a long term solution would take a lot of the PRC's time. He said that he was supportive of a 9-4 lane assignment this evening; referring the long term solution to the PRC. An alternative would be to grant the authority to place swimmers in lanes as they feel necessary in order to maximize the use of the lanes.

Ms. Spier stated that staff is not responsible for swim teams or how they conduct their practices. If the Council would like staff to return with minimum or maximum use of the lanes, staff could look into this. She informed the Council that staff is responsible for the masters swim lanes and that staff tried to share them with the swim teams. However, when you get going on a lane practice and you are on a swim team, it is hard to stop to move over to another lane when a life guard requests that you move lanes. Also, the master swim participant may not wish to share lanes because of the skill levels.

Council Member Carr said that he would support making lane assignments this evening. He understands that the City would like teams to share, but did not believe that it would work to have two teams occupying the same lane(s) as different coaches will be involved. He sees an advantage of the lottery system as a team is committing itself to one lane and paying for that lane(s). He felt that it was important for the Council to move this item forward this evening. He felt that the City has professional staff on board who should be making lane assignments. He did not believe that the Council should be impacting the PRC's time when it is loading a lot of projects on them, noting that the Council has other issues to deal with as well. He said that staff has come up with a proposal to get the City through the summer. He recommended that the Council give the lottery alternative a try and get the City through the summer.

Mayor Kennedy stated that he would support the lottery alternative as it is supported by both teams.

Council Member Tate expressed concern that with the lottery system as the Council would not know how lane assignments would turn out. He said that one team could end up with thirteen balls and this would exclude the other team. He did not believe that the City should proceed on chance. He felt that a lane assignment is a better way to proceed.

Mayor Kennedy requested feedback from the two teams.

Ms. Sacco, representing the El Toro Swim Team, said that at first they were supportive of the lottery system as it was creative and fair. However, they would support a 9-4 lane split.

Mr. Rick, representing the Morgan Hill Swim Team, requested that the City place the lane assignments in writing so that he can take it back to the board for consideration. He expressed concern with reducing lanes as it would impact program growth.

Aaron Himelson said that the City is charging Mako for 11 lanes. He indicated that the lane assignments originally started at 11-2. Then it was taken to 11-3 lanes and then 11-4 lanes with the City giving up a lane.

Mr. Rick suggested a 10-3 lane split for the months of March, April and May; returning for reconsideration of lane assignments in June, July and August. He said that the Council needs to do what is in the best interest for the community.

Council Member Grzan said that it would be a bad precedent to establish a lottery system for city services. He stated his support of making lane assignments this evening with a future opportunity for reevaluation.

Council Member Sellers said that adding the number of kids in each team's roster and dividing this number by 13, results in approximately a 9-4 lane assignment (20 swimmers per lane).

City Manager Tewes said that under the Municipal Code, one of the responsibilities of the City Manager is to forward recommendations to the City Council on matters before it. He noted that staff has recommended, reluctantly, an approach to address this matter. However, if it is the Council's direction that it wants to pursue a lane assignment, he felt that the Council should have the benefit of staff's recommendation based on experience of the clubs and how the water is used. He said that based on staff's experience, the lane split should be 10-3.

Action: *Council Member Sellers made a motion, seconded by Mayor Kennedy, to make a 10-3 lane assignment for the two swim clubs through August. Four lanes reserved for City programming. Concurrently, the City Council asks for an evaluation of a long term solution from the Parks & Recreation Commission.*

Council Member Sellers said that in reviewing the related documents on this matter, he felt that approximately 80% of the staff work has been completed. Staff will need to sit through another long meeting where the PRC catches up and reviews the issue. The PRC can make a modification for the summer, if deemed appropriate. If it is felt that the 10-3 lane assignment is working, it can remain.

Council Member Tate said that he does not see the need for the PRC to evaluate this matter as they have other items they are working on. He noted that they only meet once a month.

Mayor Kennedy stated that this situation is far from over. He felt that the PRC needs to get involved and take over this responsibility. This will allow the Council and staff to move forward with other City business.

Council Member Sellers stated that should the PRC determine that this matter is not in their purview, they are not prepared, or do not have enough time to handle this matter, they should let the Council know.

Mayor Kennedy recommended that the PRC review this issue and return to the Council and advise whether this matter is in their purview.

Council Member Carr said that he would be agreeable to setting the lane assignment this evening. However, he expressed concern with sending this matter to the PRC. He recommended that the Council

direct staff to perform an evaluation. He noted that later this evening, the Council will be having a discussion on its work and committee assignments. He said that he would like the Council to ask its committees to identify workplans. He did not know whether the PRC would envision, in their workplan, the evaluation of lane splits between swim teams at the aquatics center. He would agree that this would not be the end of this saga and that there would be a role for the PRC. However, he did not want this matter to take precedent over anything else that the Council believes that the PRC should be doing, (e.g., outdoor recreation center, indoor recreation center, etc.). He did not believe that the Council should be making a recommendation this evening knowing that it will be changed soon, triggering lobbying efforts toward staff or the PRC. He would like to conclude lane assignments this evening, allowing staff to move forward with their summer programming in order to have a successful summer. He stated his support of the 10-3 lane split until August 2005, with staff to conduct an evaluation at the appropriate time and when they have time to do so.

Council Member Sellers clarified that the motion stipulates a 10-3 lane assignment and that the only way this lane assignment changes is if staff and/or the PRC returns to state that this lane assignment should be changed. If there is not a recommendation from staff or the PRC for a change in lane assignments, they do not change. He agreed that the Council needs to move forward this evening.

Council Member Grzan felt that the appropriate place to discuss this issue is at the PRC level as it is an appropriate decision for them to decide upon. Deferring this item to the PRC would make better use of the community and the Council's advisory group. Deferral would also allow the Council to make the best use of its time. He would like to agendize the discussion on the effective use of the Council's advisory groups. Also, to be discussed is maximizing their skills and talents to compliment those of the Council to make this a more efficient and effective city.

City Manager Tewes clarified that the current policy is that staff makes lane assignments, working with the user groups. He noted that the Council has heard evidence tonight that the policy did not work with respect to the assignments of lanes. Thus, this is the reason staff has brought this item before the Council. As staff was unable to work out the lane assignments, it is appropriate for the Council to adopt a policy. He noted that staff brought forward a recommendation this evening and that the Council has selected a different course. As the old policy did not work, it may be appropriate to give the PRC enough time so that if there are changes to the policy in the next off season time, they can forward a recommendation to the Council. He recommended that the Council allow the decision to last for a sufficient amount of time so that staff can properly evaluate the use of the lanes and move forward with other work. He felt that it would be appropriate to ask the PRC for their thoughts on a policy for allocation of lanes when groups cannot work together. This report to return to the Council prior to the next off season (e.g., winter).

Vote: *Upon further clarification by the City Manager, the motion carried unanimously (5-0).*

**20. AUTHORIZE APPLICATION TO MORGAN HILL AQUATIC CENTER, INC. FOR
SUBSIDY FUNDING OF SWIM TEAM LANE USE**

Recreation and Community Services Manager Spier requested Council authorization to submit a letter requesting funding on behalf of all users of the 50-meter competition pool. She said that staff will need to go back and analyze the amount of subsidy needed. She clarified that the request would be to subsidize both swim teams and the masters swim programs. She said that the subsidy would be applied toward the operation of the 50-meter competition pool.

Mayor Kennedy opened the floor to public comment. Donna Cretcher stated that she appreciates the fact that the City came up with a policy based on the discussion held last week. She stated her support of the application for subsidy. No further comments were offered.

Council Member Sellers expressed concern with two items that surfaced last week. He said that the Council heard that the foundation organization itself does not have a regular meeting schedule and has a relatively small organizational structure. He said that it is the responsibility of the Council to make sure that it is entering into agreements with entities that are operating in a manner that is appropriate. He inquired whether there are legal issues or other issues that the Council needs to take a look at with regards to the foundation, to see if they are operating in a manner according to law. He requested that the organization better reflect what it does, and that they consider changing their name to the Morgan Hill Aquatics Foundation or a name more appropriate to their venue, so that they are not perceived as a City entity.

City Attorney Leichter said that there are a couple of options for the Council to consider. She stated that she could contact the president of the organization and conduct an informal question and answer session to determine whether they are complying with the non profit corporation law and the purpose stated in their articles of incorporation, should the Council wish her to do so. She said that there were other concerns raised last week that she is looking into, from a Council perspective, as opposed to whether the organization itself is complying with non profit corporation law.

City Manager Tewes informed the Council that the City has adopted an administrative policy entitled "Donation Policy." This policy provides that a certain amount of cash can be accepted on behalf of the City and that facilities can be accepted. He said that at certain monetary levels, it requires Council approval. Therefore, staff would follow this policy and bring these matters back to the Council. He said that it is not City staff's practice to apply to every nonprofit organization for support. He said that staff is applying for funding from this particular foundation because it is organized solely for the purpose of supporting the constructing and operation of the City's aquatic center.

Council Member Grzan inquired whether funding received would have to be returned, if it is found that a foundation was not operating in compliance with the non profit corporation laws.

City Attorney Leichter stated that she is not aware of any case, provision, or attorney general opinion under the non profit corporation law, that would require that a recipient of funds from a non profit organization not operating within the parameters of the law, to be returned. However, there is a separate legal issue about the unfair business practices to which she is looking at. She did not believe that this situation rises to that level.

Mayor Pro Tempore Tate agreed with the concerns expressed and felt that they would be easy to resolve, including the name change. He stated that the foundation was established to support the aquatics center and felt that the City should seek funding to support the aquatics center.

Action: *On a motion by Mayor Pro Tempore Tate and seconded by Council Member Carr, the City Council unanimously (5-0) **Directed** Staff to Submit an Application to Morgan Hill Aquatic Center, Inc. for Subsidy Funding in Support of Swim Team Lane Use.*

21. WATER CONSERVATION ACTIVITY REPORT AND APPROPRIATION

Programs Manager Eulo presented the staff report, sharing some of the City's recent progress in terms of the City's water conservation workplan, and requested Council appropriation relating to the development of a water conservation demonstration garden. He addressed the six separate activities that staff is working on, (e.g., proposed water conserving rate structure for landscaping; water efficient landscaping ordinance; multi family ordinance; retrofit at resale ordinance; economic incentive program; and the conservation demonstration garden). He indicated that the Water District is intending to implement a similar economic incentive program. Staff believes that it would make sense for the City to augment their program. However, he noted that the Water District has severe budget issues. Until the City is certain that they will be proceeding with this program, staff will not return to the Council with additional appropriation, but it would make sense for the City to consider making an additional appropriation to augment the Water District's program. This program would provide incentives for landscapes in Morgan Hill to be retrofitted.

Council Member Grzan stated that he has a passion for the use of California native plants, and felt that they would add to the rural character of Morgan Hill if incorporated in the City's construction projects. Further, that native plants would assist with water conservation efforts.

Council Member Carr concurred that the professionals can meet both goals as identified by Council Member Grzan.

Mr. Eulo informed the Council that it was staff's belief that it would be possible to incorporate more California native plants. He said that the request before the Council is a request for authorization to allow staff to enter into a contract to design the construction documents. He said that staff would ask the professionals to take a look at using California native plants and make needed improvements.

Council Member Sellers recommended that planning staff use the water conservation garden as an example when talking to developers. He stated that he was pleased to see that a water conservation re-landscaping project is being proposed. He recommended that staff publicize this program.

Mayor Pro Tempore Tate indicated that the California Department of Forestry has a demonstration garden that is fire resistant. He recommended that staff investigate fire resistant landscape material.

Mr. Eulo stated that as the civic center campus develops with the library site, there will be opportunity for education relating to landscaping.

Mayor Kennedy opened the floor to public comment. Chris Bryant said that it was his hope that the City does not remove sod in the civic center only to plant it elsewhere, (e.g., indoor recreation center or the library). It is his hope that these same concepts are applied in the landscaping of new civic projects. No further comments were offered.

Mr. Eulo said that staff has reviewed the landscape plans for the indoor recreation center, noting that very minimal amount of turf will be applied. He said that staff will try to keep the use of sod to a minimum.

Action: *On a motion by Council Member Sellers and seconded by Mayor Pro Tempore Tate, the City Council unanimously (5-0) **Directed** Staff to Prepare Public Bid Documents for the Construction of a Demonstration Water Conservation Garden at City Hall.*

Action: *On a motion by Council Member Sellers and seconded by Mayor Pro Tempore Tate, the City Council unanimously (5-0) **Appropriated** \$13,000 From Unappropriated Fund Balance in Water Operations Bund (650) for the Development of Construction Documents for the Demonstration Water Conservation Garden Project, CIP #126005.*

22. INDIAN TRIBE DEVELOPMENT PROPOSALS

City Manager Tewes indicated that from time the time, the Council has asked for the opportunity to discuss the City's involvement of some informal meetings called by elected officials and administrators from Gilroy, Hollister, San Benito County and San Juan Bautista. He informed the Council that these agencies have been learning about two development proposals by Indian tribes. He stated that no recommendations have been suggested at this point. He requested that the Council discuss the extent to which the Mayor, others, he or other staff should participate in these projects. He indicated that both proposals involve bringing lands into a "Trust" relationship. He said that two landless Indian tribes are seeking to bring certain geographic space into Trust. One of these tribes will be proposing casino gambling. He said that under recent amendments in federal laws relating to Indian affairs, there is a national commission on Indian gaming who has to approve certain types of gaming. He informed the Council that the type of gaming being proposed requires a compact with the State of California. He indicated that the compact has not been applied for. The second proposal is by an unrecognized Federal tribe for the Sargent Ranch with no Indian gaming proposal. What is proposed is 3,000 acres to be urbanized. He said that this proposal is of concern as it is a large development activity. There is concern for the process on how development is to be approved. Should the land be brought into trust, it would be managed by a sovereign nation and would not be subject to the laws of the State of California with respect to CEQA and other matters. He said that it has been learned that the decision to bring land into to trust is the type of decision that requires environmental review by the Federal government under the National Environmental Policy Act. It is not clear to him the extent to which the environmental review would go into the ultimate development opportunities. He indicated that this is the issue being discussed by the informal group. He stated that the policy question is to what extent the City Council wishes city government and staff to be involved in these discussions.

Council Member Tate felt that the Council wants to stay informed on what is taking place in the region. It was his belief that the process to be followed is the one established at the retreat when the Council established a regional planning and transportation committee who would look at these types of issues. Should the Mayor get invited to a session, he should bring back information to the appropriate standing committee that looks at the various issues. He stated that the City does not need another Coyote Valley to the south and that he would be concerned about understanding what is being proposed.

Mayor Kennedy indicated that the Mayors of Hollister and Gilroy and he, including city managers from these cities as well as a representative from the San Benito County Board of Supervisors, were invited to a meeting. He did not believe that this was a conflict as under the proposed new working relationships for committees and that he would be on the regional committee. However, there may be some issues where this may not be the case and that it was his belief that it would be appropriate for the Mayor to attend (exceptions). He felt that there is a policy discussion that the Council needs to have on this particular issue.

Council Member Sellers concurred that the City needs to monitor this issue. He felt that the City needs to be cognizant of what is being planned. Should the Indian gaming casino or development proceed, the Council needs to start talking with the proponents as well as the other entities to be impacted. He felt that the City needs to do everything possible to oppose these projects as they will become a developmental disaster for the entire region. However, the City needs to be cognizant about the fact that the City does not get to decide on either of these cases, to a large degree. He felt that it is important to figure out a way to develop a strategy for how the City would make sure that its concerns are mitigated at the front end. He recommended that the City start to think about the mitigations to be imposed should these projects proceed.

Council Member Carr agreed that the City should stay involved via the committee structure. He was pleased that Mayor Kennedy has been participating in the discussions of these two projects and that he would continue to do so. He said that he did not know enough about either project to support or oppose them. It was his hope that this information would be brought back to the Council so that it can discuss the possible impacts. This would allow the City to be prepared to talk about the mitigation measures that should be imposed. As this is a regional discussion of where the projects are being proposed, he was pleased that Morgan Hill was invited to be a part of the discussions.

Mayor Kennedy informed the Council that the project proponents were in attendance at the last meeting and made a presentation about their proposals.

Council Member Sellers concurred with Mayor Pro Tempore Tate that as Mayor Kennedy attends these meetings, he should report back to the committee and to the Council, as deemed appropriate.

Mayor Kennedy opened the floor to public comment. No comments were offered.

Action: *No action taken.*

23. EVALUATION OF SYSTEM OF COMMITTEES AND COMMISSIONS

City Manager Tewes indicated that last year the Council gave him an ambitious project; evaluating the committee system with three goals in mind: 1) prepares recommendations to reduce costs; 2) enhances communications, and 3) improves the decision making process. With respect to the way the Council organizes itself, he said that it would be preferable to shift from the current practice of having a series of ad hoc or single subject committees to five standing committees. He indicated that the staff report outlines the proposed jurisdiction of the five standing committees. It is being recommended that each committee consist of two members of the Council who would serve two-year terms, after an initial appointment period. With regard to Council liaison assignments, he recommended the following: 1) the number of liaison assignments to city commissions be limited to two – a) the Parks & Recreation Commission, and b) the Library Commission. For the liaison assignments to outside organizations, he recommended that the Council appoint members on the Council who sit on relevant standing committees that are similar in subject matter. With respect to citizen committees, commissions and task forces, he did not recommend significant changes to the reporting relationships or the number of such committees or commissions. However, he did recommend a slight modification in the responsibility of the Parks & Recreation Commission to exclude the responsibility of “cultural facility.” He suggested that this assignment and any issues relating to public art be assigned to a different commission. He recommended that the Library Commission’s duties be expanded to include these items and that it remain the “Library, Cultural and Arts Commission.” He requested that the Council consider the report and recommendations and that the Council request that the Library and Parks & Recreation Commission comment on these recommendations. Further, that each citizen commission prepares work plans for Council consideration during the annual budget process.

Mayor Kennedy indicated that the Council discussed this item at the Council’s goal setting retreat and that it talked about the five recommended committees. He recommended that the Council decide whether there is consensus on the items as identified in the City Manager’s report.

Council Member Sellers stated that he would support staff’s recommended action, noting that it is being recommended that the Council consider the recommendation and does not assign Council members to each of the committees.

Mayor Kennedy recommended that Council assignments to the five committees be identified at this time.

Council Member Tate noted that it would be expected that the Mayor participate on certain committees. If the Mayor reports to a Council committee on a subject, it may result in a Brown Act violation as you cannot have three Council members discussing city business. He felt that the Council needs to work out some of the issues associated with cross assignments. He recommended that the Council be flexible in determining how this would work.

Mayor Kennedy felt that should a report be made by a Council member; the report be presented to the entire Council. This would prevent a Brown Act violation in reporting to a two-member subcommittee.

City Attorney Leichter indicated that if a report is simply factual, this would not necessarily cause a Brown Act Violation. As long as the dialogue is not trying to reach a consensus when there are three council members in attendance at a committee meeting, there is no violation.

Mayor Kennedy said that under the Financial Policy Committee, the Council discussed adding legal affairs to this committee. He said that the Council discussed allowing City Treasurer Roorda to participate under this committee as the Finance & Audit Committee would be eliminated.

Council Member Sellers recommended that the City Treasurer be allowed to participate in the financial aspect of this committee. He said that the agenda could be structured such that Mr. Roorda could be in attendance for the financial portion and excuse himself from the legal affairs portion of the meeting.

Council Member Grzan indicated that the purpose for the establishment of the five committees is to provide cost reductions, improve communications and improve decision making. It was his hope that the City would be able to measure what they are to be doing. He expressed concern with the following: 1) there may be filtering in the process where the Council is not provided with all recommendations discussed by the committee; 2) duplication of efforts such that committees will discuss an item and then rediscuss it before the entire Council; and 3) staff time will be used at committee meetings and would be used again to make the presentation before the Council. He stated that he sees inefficiencies in this process.

City Manager Tewes stated that the purpose for his recommendation is to improve Council policy making decisions by having a complex policy analysis. In the end, the evaluation of the success would be the self evaluation by the members of the Council.

Council Member Sellers indicated that the concerns raised by Council Member Grzan are always concerns, and that Council members need to be vigilant to avoid these concerns. He said that the Council has found that committees can get into issues in more detail. This allows for shorter discussions at the Council level and that it has been found that there is less staff time involvement. He said that there may be times that a committee does not want to take on an issue and recommends that the issue go directly to the Council. He noted that most of the committees meet as needed and based on urgency.

Mayor Kennedy indicated that the Council has not discussed whether every issue needs to be presented to the committees before being presented to the entire Council. It is his hope that this was not the case.

Council Member Grzan stated that he was not sure as to the committees' framework and that their responsibilities and jurisdiction are not clear.

Mayor Pro Tempore Tate disagreed with Council Member Grzan's filtering comment. He felt that to the extent that an item can be filtered, it should be filtered so that the Council can focus on the issue.

Council Member Grzan said that a committee member may shape the direction that is presented to the Council. He did not believe that this would not be an overt action, but may be subtle enough to take place. If the Council does not proceed with the establishment of all these committees, the Council would

be reviewing and addressing every item. This is the advantage of having a week to week Council meeting, having staff present the report to the Council. He felt that the establishment of committees contains some inefficiencies and positive aspects as well.

Mayor Kennedy inquired what would trigger action items going to these committees.

City Manager Tewes said that as envisioned, these committees would act as servants to the entire Council. The committees would not direct staff or shape staff recommendations. The committee's job is to provide analysis and recommendations to the full Council. He would expect the Council may assign issues to one or more of the committees as they arise. As the committees have an established jurisdiction, the committees would be subject to Brown Act requirements (e.g., agendas, minutes and holding regularly scheduled meetings). He said that it may be appropriate for the Council to identify the kinds of topics committees would be working on.

Council Member Grzan inquired whether the committee structure would be taking away some of the responsibilities of the Parks & Recreation Commission. He felt that this Commission is capable of reviewing topics for the Council and that they were the appropriate body to review policies and forward recommendations. He felt that making better use of the Council's commissions would make the City a more effective organization.

Council Member Carr said that when the Council worked through how to ask the City Manager to take on this assignment a year ago at its retreat, the Council was facing a couple of issues that led him to think about how government works in Morgan Hill. He noted that the second attempt to receive funding for the library via a bond measure failed. The Council discussed how it was to build and pay for the construction of a new library. The Council decided to look at the whole issue about the library and how it would be accomplished. This led him to believe that it should be done differently from how it was done in the past as it was awkward, cumbersome and difficult. He said that the subcommittee assigned by the Council gathered a lot of information that was brought before the Council. All questions he would have asked, were asked and answered by the committee in a report that he was able to read before the Council meeting. He felt that the Council should always get information and answers to questions, including the discussions that take place at the committee levels. He noted that the Council appointed another subcommittee with regards to the Walnut Grove PUD. He did not believe that this subcommittee was efficient and that he was tired of the Council setting up special subcommittees to address various issues. In thinking about how the Council structures things and has its own dialogue and decision making authority, it was his hope that everything would fall in line with better communication throughout the community to achieve a better decision making process. He recommended that the five standing committee recommendation be given a try to see how they work.

Council Member Grzan stated that he was willing to give the recommendation a try. However, he felt that there were other commissions in place who could consider items that will be heard by the Committee and the Council. This would result in a committee doing more of the commission's work.

Mayor Pro Tempore Tate agreed that the Council has to receive work plans to make sure that there is no overlap in the review, discussion and recommendations on various topics/issues.

Council Member Grzan felt that there would be multiple work plans and that staff would be overwhelmed.

Mayor Kennedy recommended that the Financial Policy and Legal Affairs Committee be implemented. With regards to the Regional Planning and Transportation Committee, he noted that the Council has a legislative committee. He felt that this subcommittee would fall under this committee.

City Manager Tewes clarified that as recommended, legislative issues in the subject areas of the five committees would be addressed by each committee.

Council Member Carr indicated that the Community Services Committee would address schools and education.

Mayor Kennedy felt that the Utilities, Environment & Sewer Enterprise Committee would include SCRWA.

Council Member Grzan did not support the establishment of all five committees. He would support the creation of the Regional Planning and Transportation Committee. With regards to Public Safety and Community Services Committee, he felt that there are commissions in place to do some of the work items. Therefore, he was not supportive of this committee. He was looking at how these council committees would address items that are already being addressed by existing subcommittee groups. He stated that he would not have established some of the ad hoc committees such as the aquatics subcommittee as he would have had the Parks & Recreation Commission review items/issues.

Mayor Kennedy indicated that there are problems with all special assignments, ad hoc committees, etc. It was the intent to cover as much of the areas where issues might come up so that the Council does not have to create an ad hoc committee or make special assignments. The Council would refer an issue where special work is needed and would, in turn, be addressed by one of these committees.

Council Member Sellers said that he would support moving forward with staff's recommended action and try this approach.

Mayor Kennedy opened the floor to public comment. No comments were offered.

Action: *On a motion by Council Member Sellers and seconded by Mayor Pro Tempore Tate, the City Council, on a 4-0-1 vote with Council Member Grzan abstaining, **Directed** Staff to Request the Library Commission and the Parks and Recreation Commission to Comment on the Suggestions for Modifications in Their Scope of Responsibility.*

Action: *On a motion by Council Member Sellers and seconded by Mayor Pro Tempore Tate, the City Council, on a 4-0-1 vote with Council Member Grzan abstaining, **Directed** Staff to Request All Citizen Commissions to Prepare Work Plans for Consideration during the Annual Budget Process.*

Action: *On a motion by Council Member Sellers and seconded by Mayor Pro Tempore Tate, the City Council, on a 4-0-1 vote with Council Member Grzan abstaining, **Made** the following Council Committee Assignments:*

*Financial Policy & Legal Affairs: Mayor Pro Tempore Tate (chair), Councilmember Grzan
Regional Planning & Transportation: Mayor Kennedy (chair), Councilmember Sellers
Community and Economic Development: Councilmember Sellers (chair), Councilmember Carr
Utilities and Environment Committee: Councilmember Grzan (chair), Mayor Kennedy
Public Safety & Community Services: Councilmember Carr (chair), Mayor Pro Tempore Tate*

24. REVIEW OF CITY COUNCIL COMMITTEES AND APPOINTMENTS TO OUTSIDE AGENCIES (Continued from 1/19/05)

The City Council reviewed specific committees and outside agency assignments.

Action: *On a motion by Council Member Sellers and seconded by Mayor Pro Tempore Tate, the City Council unanimously (5-0) **Approved** the Mayor's Appointment of Council Members to Serve on the Various Council Committees and Outside Agencies as follows:*

<u>Committee/Outside Agency</u>	<u>Assignments</u>
Association of Bay Area Governments (ABAG)	(P) Kennedy (A) Sellers
City/School Liaison Committee Morgan Hill Unified School District	(P) Carr (P) Tate (A) Sellers
Corporation Yard Commission	(P) Sellers (P) Grzan
Morgan Hill Chamber of Commerce	(P) Kennedy (A) Sellers
Pajaro River Watershed Flood Prevention Authority	(P) Grzan (A) Kennedy
Santa Clara County Cities Association Board	(P) Kennedy (A) Sellers
Santa Clara County Cities Association Board Joint Policy Collaborative	(P) Kennedy
Santa Clara County Cities Association Representative to the Airport Land Use Commission	(P) Kennedy (5/1/08)
Santa Clara County Cities Association Legislative Action Committee	(P) Sellers (A) Kennedy

Santa Clara County Emergency Preparedness Council	(P) Tate (A) Carr
Santa Clara County Housing & Community Development Council Committee	(P) Carr (A) Sellers
Santa Clara County Library District Joint Powers Authority	(P) Tate (A) Carr
Santa Clara Valley Transportation Authority MGM Group 4; VTA Board Representative	(P) Kennedy (A) Sellers
Santa Clara Valley Transportation Authority Policy Advisory Committee (PAC)	(P) Sellers (A) Kennedy
Santa Clara Valley Transportation Authority Caltrain Policy Advisory Board (PAB) <i>Not planning to meet in 2005</i>	(P) Sellers (A) Kennedy
Santa Clara Valley Transportation Authority Board of Directors (Alternate member)	(P) Kennedy
Santa Clara Valley Transportation Authority South County Roadways Policy Advisory Board	(P) Sellers (A) Kennedy
Santa Clara Valley Water Commission	(P) Grzan (A) Ashcraft
Santa Clara Valley Water District Elected Officials Quarterly Meeting (PL 566)	(P) Kennedy (A) Grzan
<i>Santa Clara Valley Water District - Coyote Flood Control & Water Advisory Committee</i>	<i>(P) Kennedy</i> <i>(A) Grzan</i> (A) Ashcraft
Santa Clara Valley Water District - Uvas/Llagas Flood Control & Water Advisory Committee	(P) Kennedy (A) Grzan (A) Ashcraft
Sister City Committee	(P) Kennedy (A) Tate
South County Joint Planning Advisory Committee	(P) Sellers (A) Carr
South County Regional Wastewater Authority (SCRWA)	(P) Kennedy, (P) Carr (A) Sellers, (A) Tate, (A) Grzan

Standing Committees

Financial Policy and Legal Affairs	(P) Tate, (A) Grzan
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Regional Planning and Transportation
Community and Economic Development
Utilities and Environmental
Public Safety and Community Services

(P) Kennedy, (A) Sellers
(P) Sellers, (A) Carr
(P) Grzan (A) Kennedy
(P) Carr, (A) Tate

CITY LIAISON ASSIGNMENTS

Committee

Ethics Subcommittee
Morgan Hill Community Health Foundation
Parks & Recreation
Library Committee
Saint Catherine's Day Worker Committee
Urban Limit Line (Greenbelt) Study
Youth Empowered for Success
Centennial Committee

Assignments

(P) Kennedy; (P) Tate
(P) Sellers, (P) Tate, (A) Grzan
(P) Carr
(P) Tate
(P) Kennedy
(P) Kennedy, (P) Grzan
(P) Tate, (A) Carr
(P) Kennedy, (P) Sellers

Action: *On a motion by Council Member and seconded by Council Member, the City Council unanimously (5-0) **Directed** the City Clerk to Notify the Appropriate Agencies of Amended Assignments.*

FUTURE COUNCIL-INITIATED AGENDA ITEMS

Resolution in Support of the Tsunami Fundraising Effort (Mayor Kennedy).

ADJOURNMENT

There being no further business, Mayor/Chairman Kennedy adjourned the meeting at 11:20 p.m.

MINUTES RECORDED AND PREPARED BY:

IRMA TORREZ, CITY CLERK/AGENCY SECRETARY



CITY COUNCIL STAFF REPORT

MEETING DATE: February 23, 2005

APPEAL OF RESIDENTIAL DEVELOPMENT CONTROL SYSTEM PROJECT EVALUATIONS

RECOMMENDED ACTION(S):

1. Conduct Appeal Hearings for the following applications:
 - a. AP-05-01/MC-04-13: Barrett – Odishoo
 - b. AP-05-02/MC-04-12: E. Dunne – Dempsey
 - c. AP-05-03/MC-04-08: Central – Delco
 - d. AP-05-04/MC-04-11: San Pedro – Delco
 - e. AP-05-05/MMC-04-07: Ginger – Custom One
 - f. AP-05-06/MC-04-17: San Pedro – Alcini
 - g. AP-05-07/MC-04-21: Barrett – Syncon Homes
 - h. AP-05-08/MC-04-04: Diana – Chan
2. Adopt Resolution affirming/modifying the Planning Commission Evaluation.

EXECUTIVE SUMMARY: The City Council is being asked to consider eight appeals of the Planning Commission's evaluation of proposed residential developments under the city's Residential Development Control System (Measure C). Projects are evaluated by staff and the Planning Commission according to the standards and criteria in 14 review categories contained in Sections 18.78.210 through 18.78.335 of the Measure C Ordinance. The highest scoring projects through this competitive process are eligible to receive a portion of the City's annual residential building allotment.

On January 25, 2005, the Planning Commission concluded the project evaluation phase of this year's Measure C competition for residential projects. Under Section 18.78.130 of the Measure C Ordinance, applicants may appeal the Commission's evaluation of their projects to the City Council. The Council may affirm or modify the allotment evaluation after conducting a hearing on the matter. Should the Council modify a project's evaluation; the adjusted score will be considered in the final project rankings and in the Planning Commission's decisions regarding the award of the Measure C building allotment. The Planning Commission is scheduled to make the final Measure C awards on March 1, 2005.

The attached staff report addresses the specifics of each appeal application. Staff recommends the City Council uphold or affirm the Planning Commission evaluation for most projects. However it is recommended the Council modify the project evaluations and award one additional point under the Landscape and Lighting category for the Odishoo, Dempsey and the two Delco projects listed above. Staff also recommends the City Council award one additional point under the Livable Communities category and another point under the Safe Route to Schools category for the San Pedro – Alcini project .

It should be noted that the recommended changes to point scores would not change the rankings of the projects with respect to whether or not building allotments are awarded to each.

The attached Planning Commission Staff Reports and Meeting Minutes for the January 11, January 18 and January 25, 2005 meetings provide background information on the Measure C evaluation process and the Planning Commission's actions.

FISCAL IMPACT: No budget adjustment required.

Agenda Item # 10

Prepared By:

Planning Manager

Approved By:

Community
Development Director

Submitted By:

City Manager



MEMORANDUM

To: CITY COUNCIL

Date: February 23, 2005

From: COMMUNITY DEVELOPMENT DEPARTMENT

**Subject: APPEAL OF RESIDENTIAL DEVELOPMENT CONTROL
SYSTEM PROJECT EVALUATIONS**

BACKGROUND

On January 25, 2005, the Planning Commission concluded the project evaluation phase of this year's Residential Development Control System (Measure C) competition for residential projects. Under Section 18.78.130 of the Measure C Ordinance, applicants may appeal the Commission's evaluation of their project to the City Council. The Council may affirm or modify the allotment evaluation after conducting a hearing on the matter. Should the Council modify a project's evaluation; the adjusted score will be considered in the final project rankings and in the Planning Commission's decision regarding the award of the Measure C building allotment.

Allotments must be issued no less than 16 months prior to the start of the first fiscal year in which the allotments will be used. For the Fiscal Year 2006-07 building allotment, the Planning Commission must award the allotment by March 1, 2005. To adhere to this deadline, the City Council will need to affirm or modify a project's evaluation for each appeal application at the February 23rd Council meeting.

Summary of Project Appeals

A total of 24 project applications were received for this year's Measure C competition. Applicants for eight of those projects have appealed their project's evaluation to the City Council. The appeals can be summarized in the following manner:

- Five of the eight projects are currently above the cut-off line that staff will be recommending for projects to receive a building allotment. Appellants for these projects are requesting additional points in selected categories to improve on their competitive standing. The five projects seeking to improve their competitive standing by applicant name are Odishoo, Dempsey, Alcini, Syncon Homes and Chan.
- Appellants for three of the eight projects are requesting scoring adjustment that, while not sufficient to elevate the project into a position to receive an allotment, would establish base scores for their project in the selected categories that would apply to their project in the next

APPEAL OF MEASURE C PROJECT EVALUATIONS

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Measure C competition. The three projects seeking to improve their base scores for the next competition are two projects by Delco Developers on Central and San Pedro Avenues, and a project by Custom One Development on Ginger Way.

- Syncon Homes is also appealing the project evaluation of a competing project. Under Section 18.78.130 C of the Measure C ordinance, any person, who is not an applicant for that project, may appeal the evaluation to the City Council. However, this appeal must include a petition signed by 100 registered voters of the City. This appeal application did not include the required petition so the appellant does not have standing to contest the competing project's evaluation. The matters relating to the competing project's evaluation cannot be considered. In this report, staff has only addressed the scoring adjustments requested for the appellant's own project.

Multiple Project Scoring Adjustments

More than one project is requesting scoring adjustments for the same evaluation category and criteria. To assist the Council in its review of the eight appeal applications, the following section will address the scoring issue for each of those categories and the projects requesting the same scoring adjustment.

1. Points for On-Going Projects: Under the Orderly & Contiguous category of the Measure C evaluation, up to two points are awarded to a proposed development which is a subsequent phase of a previously allocated development. To qualify for these points, the prior phase of the development must be in compliance with the development schedule approved for the project. The Odishoo and Dempsey projects are requesting one point under this criterion as on-going projects. The Planning Commission did not award the one point because neither project was under construction by the September 30th deadline as required under the criterion. The two appellants argue they should not be penalized for not being under construction because they only received their prior allotment through a supplemental distribution in April 2004 after the passage of Measure C. Other projects with the same fiscal year allotment received their building allocations in July 2003, and therefore had more lead time to obtain development approvals and commence construction. The scoring criterion however, does not make accommodations for a late allocation. **Staff recommends the City Council affirm the Planning Commission's scoring of these two projects.**

2. Points for Providing Two Trees Per Residential Lot: Under the Landscape & Lighting category, two points are awarded to a project that provides two trees per lot along the street frontage. The Odishoo, Dempsey and the two Delco projects have committed to provide two trees per lot and are requesting the Council award the two points. The four projects are all located in the R-2 zoning district and are proposing lots as narrow as 40 feet in width. The City's street tree standards require trees to be planted 25 to 30 feet apart, depending on the species of tree. Staff determined that the lots in these four projects are too narrow to accommodate two trees with the required spacing and did not award the two points. The projects can accommodate one tree per lot and were granted one point. The appellants are requesting the full two points because staff did not make the above determination for narrow lots in prior year competitions.

To be consistent with prior scoring, **staff recommends the four projects be award one additional point as requested.** In subsequent competitions, staff will advise prospective applicants that staff will only award the two points to projects that provide standard 60-foot wide lots, or lots of greater width, that can accommodate two trees on the street frontage with the required tree spacing.

APPEAL OF MEASURE C PROJECT EVALUATIONS

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3. Points for Preserving Significant Trees: Under the Natural and Environmental category, a project can receive up to two points for preserving significant trees, such as native oak trees, in the development. The number of trees preserved must be proportional to project size and the number of existing trees. A significant tree is defined under the City's Heritage Tree Ordinance under Section 12.32.20G of the Municipal Code. Appellants for two projects, Central-Delco and Alcini, have committed in their project narratives to preserve all trees on site. The two project applications however, did not indicate whether the trees to be preserved are significant under city code and in the Alcini application, a site inspection brought into question whether one or more of the trees are actually on the project site. Because insufficient information was available to determine whether significant trees would be preserved, staff recommended the projects receive zero points under this criterion. The Planning Commission agreed. **Staff recommends the Council affirm the Commission's scoring.**

Syncon Homes is also appealing their score under the same criterion. The Syncon project has committed to preserve a single large valley oak tree, estimated to be approximately 300 years old. The project was awarded one point by the Planning Commission for preserving this tree. The appellant is requesting the maximum two points because of the age of the tree and because the oak tree, as a species, is designated as the National Tree. As noted above, the number of trees preserved in a project must be proportional to project size. This project is preserving one tree within a 52 unit development. Other projects in the competition, in one case, with fewer lots, preserved greater numbers of trees and were awarded the maximum two points. The criterion does not give allowance in instances where the tree to be preserved is very old. **Staff recommends the Council affirm the Commission's scoring.**

4. Points for Overall Project Excellence: Under the Livable Communities category, the Planning Commission may award up to two points when a proposed project is judged by Commissioners to be superior with respect to overall project excellence. Two points are awarded by a super majority of the voting members, or one point is awarded by a majority of the voting members of the Planning Commission. Appellants for four of the projects, Odishoo, Dempsey, Syncon Homes and Chan, are appealing the Planning Commission's judgment of their projects. Various reasons were cited by the appellants as to why they should receive the full two points. The Dempsey and Chan projects were rated superior (under a maximum 1 point criterion) in 2002-2003 competition and each cited a change in the make up of the voting members of the Commission in as the reason their project failed to receive a superior rating this year. The Odishoo project was not rated superior in the prior competition but felt that they had made substantial improvements in their development plan. Syncon Homes received a majority vote of the Commission this year and was awarded one point. The appellant believes his project is entitled to the full two points.

While the make up of the voting membership of the Planning Commission had changed from the 2003 competition, the main reason for the different results among those projects rated by the Commission as superior, has to do with the change in scoring methodology. In 2003, the Planning Commission use different rating factors to decide on which projects receive the superior point. In 2005, the process was simplified, and points were awarded based on a majority or super majority vote as noted above. Prospective applicants were advised prior to this year's competition of the change in methodology. **No scoring adjustments are recommended.**

Individual Project Scoring Adjustments

The remaining appeal items are requests for scoring adjustments that are specific to the individual projects. The following section of this report will address those items.

MC-04-08: CENTRAL - DELCO

Item B.5 Project Master Plan

Under Criteria #5, *“A project will be awarded one point if no significant design flaws can be found, and the design gives strong consideration to the issues of circulation, access, density transitions, and the use of common open space.”*

The master plan does not give strong consideration to density transition and use of common open space, as described in the Project Narrative. Specifically, the size of the interior lots (Lots 22, 23, 24, and 25) are considerably larger than the lots they back onto. Also, the open space area could be better aggregated with the elimination of the open space corridors between Lots 4/5 and Lots 13/14. Therefore, according to the scoring criteria, **no point adjustment is warranted.**

Item B.2C Minimizing Sound walls

Under Criteria #2C, A project will be awarded two points if it *“arranges buildings, access-ways and locates parking areas and open space to minimize the use of sound walls next to freeway, the railroad tracks, arterial or collector streets.”*

The entire project frontage along Butterfield will require sound walls as backyards will have noise levels of 70 dBA according to the General Plan Noise Contour Map. The applicant is proposing only a small landscape buffer between the wall and channel. Other projects have provided much bigger open space areas between units and Butterfield Boulevard. **No point adjustment is recommended.**

MC-04-11: SAN PEDRO – DELCO

Item B.2.C Pathways not Redundant of Public Sidewalks

Under Criteria B.1.C, A project will be awarded on point if it *“provides convenient access to public or private parks internal to the project where appropriate through the use of bicycle and pedestrian pathways. Bicycle and pedestrian pathways shall be located in areas no less than 20 ft. wide, with an average width of 30 ft. (for the entire length of the path.) The pathway provided shall be paved or other suitable durable surface and a minimum of 7 ft. in width. The proposed pathway(s) cannot be redundant of public sidewalks.*

Staff noted that the pedestrian path along the southerly extension of Walnut Grove Drive parallels the city sidewalk along the street frontage and is therefore redundant (see attached exhibit). The Planning Commission agreed with the staff evaluation. **No point adjustment is recommended.**

Item B.5 Project Master Plan

Under Criteria #5, *“A project will be awarded one point if no significant design flaws can be found, and the design gives strong consideration to the issues of circulation, access, density transitions, and the use of common open space.”*

Staff has noted six project design flaws that would essentially require the redesign of the master plan. These design flaws are listed in the Project Narrative and are provided below. **No point adjustment is warranted.**

Design Flaws:

1. Pathways are redundant of the sidewalk.
2. The 50 percent adjacency standard for attached housing is not met.
3. Need to aggregate open space.
4. The same floor plan is repeated throughout the project.
5. Staff recommends no homes fronting onto San Pedro.
6. Lots 25 and 26 need to be set back further for noise attenuation purposes.

Item B.1.F Lot Layout

Under Criteria B.1.F, *Over-all excellence of lot layout. Layouts deemed to be average will receive **zero points**, above average layouts will receive **one point**, and superior layouts will receive **two points**.*

For scoring purposes points for overall excellence of lot layout will be assigned as follows:

Average Project: A project requiring 2 or more major design changes, or which has 4 or more minor problems. **(zero points)**

Above Average Project: A project requiring 1 major design change, or which has 3 minor problems. **(one point)**

Superior Project: A project requiring no major changes and which has 2 or less minor problems. **(two points)**

Design Issues Raised by Staff for Criterion B1f:

1. Plan 2 does not meet the 50% attachment requirement. This was determined by staff to be a minor design flaw.
2. The pathway proposed along Walnut Grove Dr. is redundant of the required City sidewalk. This was determined to be a minor design flaw.

APPEAL OF MEASURE C PROJECT EVALUATIONS

Page 6

3. The majority of .53 acres of open space behind lots 44 thru 52 is a remnant piece of property created by the proposed lot configuration. This was determined by staff to be a major design flaw. This area is not visible or useable to the project residents.

4. The massing of models 3, 4 & 5 are identical. Each model is exactly 35ft. wide, has a 35 ft. wide second story, has the front entry door in the same exact location, each also has a 6 ft. by 14 ft. porch. The size variation between these models comes from the 5 ft. increments of additional building length between models 3-5. The repetition of the same building shape and mass through out a project is considered a minor design flaw.

5. The project also repeated Model #3, five times in a row. This was determined by staff to also be a minor design flaw.

Projects which have 4 or more minor design flaws are considered average and receive 0 points for this criterion. This project has a minimum of 4 minor design flaws and 1 major. **No point adjustment is warranted.**

Item B2 a. Lot Layout Usable Open Space

Locates streets and arranges units to provide park/open space area that is aggregated into large meaningful area(s) that are conveniently located within the development. (one point.)

Approximately .34 acres of the project open space is located in a concentrated area behind lots 44-52. The .34 acre calculation does not include the 30-40 ft. wide landscape buffer along Walnut Grove Dr. The overall project has 1.795 acres of open space area however, 47 percent (.84 acres) is located behind the project. **No point adjustment is warranted.**

Item B2.a Landscaping & Building Placement for Maximum Privacy

Uses design and layout techniques that give individuals maximum privacy within and outside the homes. Such techniques include off set windows between units, alternating outdoor patio areas and entrance and consideration of fence height in relation to grade changes (one point).

Staff noted that units on lots 46-48 have the same setbacks and same floor plans. The upstairs bedroom windows align with each other. Also, many of the same floor plans face back to back to each other with the same window alignments. **No point adjustment is warranted.**

Item B.2C Minimize Use of Sound Walls

Arranges buildings, access-ways and locates parking areas and open space to minimize use of sound walls next to the freeway, the railroad tracks, arterial or collector streets. (two points).

The open space/landscape area exceeds setback requirements, which will minimize sound walls for many of the lots. Noise level in the area is 70 dBA according to the General Plan Noise Contour Map, therefore sound walls may be required for units 25 and 26. Excess open space/landscape area is not provided for these units, therefore, the sound walls for these units would not be completely minimized.

The Planning Commission did award one point, but not the full two points requested. **No point adjustment is warranted.**

MMC-04-07: GINGER – CUSTOM ONE

Item B1 Temporary Turnaround.

*“A micro or affordable project will receive (three points) if it meets **all standard requirements for design and construction of public facilities.**”*

The proposed project was determined not to meet the City standard A-21 detail regarding the “Temporary Hammerhead” turnaround, therefore no points were awarded. This determination was based on the proposed location of the turnaround and the duration of time the turnaround would be in place

The project plans show the turnaround to be located at mid-block as opposed to the end of the street as required per the City’s “Hammerhead” turnaround standard detail A-21. Also, since the proposed extension of Rose Lane would terminate at the northerly property line of California Salvage, the turnaround would not be temporary, but instead be in place for an indefinite period of time. For these reasons the project did not receive the three points under Section B1 of the Public Facilities category. **No point adjustment is warranted.**

MC-04-17: SAN PEDRO - ALCINI

Item B.2 Safe Walking Route to a High School

A project can receive 2 points if it is located within 1.5 miles walking distance and provides a safe walking route to a high school.

The appellant requests points for walking to Central. School District staff, which provided recommendations on the Schools Category scoring, did not count this continuation school as one of the District’s high schools and did not award the requested two points. The question as to whether Central High is a high school is not in dispute. The Planning Commission agreed with the District staff and chose not to recognize Central High for scoring purposes because the school does not have open enrollment. For the School District's two comprehensive high schools, any high school age student is allowed to attend if they reside within the enrollment area of that high school. That is not the case for Central High. It is possible that than none of the high school age students in the Alcini project would attend Central High, while attendance at one of the two comprehensive high schools is assured. For that reason, the Planning Commission decided not to include the continuation high school in the Schools category under the safe walking route criteria. Staff recommends that Central High School be recognized as such. Given that the project is within 1.5 miles walking distance, one point can be supported. However, the full 2 points are not recommended because the applicant is not actually providing improvements to the walking route, which already exists. Also, it is less clear that students from the project will attend the high school. **Staff recommends the project be award one additional point under the Schools category.**

Item B.1B Open Space and Parks

Public or private open common usable open space is encouraged where neighborhood homeowners associations or other acceptable private maintenance entity can be used to coordinate their use and maintenance (three points).

The appellant is requesting the same consideration as was given for another project for the commitment to establish a homeowners association. The project was given the same consideration and was awarded three points under criterion B1B of the Open Space Category. **No point adjustment is warranted.**

Item B8 Bicycle Route Improvements

*Provides external bicycle paths, bike lanes or bicycle routes improvements identified in the January 2001 City of Morgan Hill Bikeways Master Plan. **Maximum points** will be awarded to projects that provide a continuous bike path or bicycle lane improvements between the project and destination area such as stores, services, schools and major employment centers. The cost of the bicycle improvements shall be equal to or greater than \$1100 per unit per point. A value greater than \$1100 per unit per point awarded can be credited to other categories (Schools, Public Facilities or Circulation). (up to two points)*

The applicant received one out of the possible two points. The applicant is asking for the full two points.

In the appeal letter, the applicant is disputing staff's scoring because they say staff claims "...the **cost** of Monterey Road (which is on the bicycle master plan) was only minimal." The text actually reads "Proposed widening and striping along Monterey Road is minimal." What was meant to be conveyed is that for the entire project, the only eligible bike lane facilities to be constructed amounted to approximately 188' of roadway bike lane. This was considered by staff to be good enough to score one point.

Upon closer examination of the applicant's cost estimate for the work along Monterey Road, staff agrees with the \$37,545 engineer's estimate. This higher cost is sufficient to award the project the full two points under this criterion. **Staff recommends the project be award one additional point under the Livable Communities category.**

RECOMMENDATION

Adopt Resolution modifying the Planning Commission evaluation under the Schools, Landscape & Lighting and Livable Communities categories and affirming the Planning Commission's scoring of the evaluation categories as set forth in Sections 1 through 8 of the attached Resolution.

APPEAL OF MEASURE C PROJECT EVALUATIONS

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Attachments

Resolution affirming and modifying the Planning Commission Evaluation

Appeal Letters

Project Narratives

Exhibit for the San Pedro – Delco Project showing sidewalk and path locations

Planning Commission Minutes of 1/11, 1/18 and 1/25 /05

Planning Commission Staff Report dated 1/11, 1/18 and 1/25/05

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RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AFFIRMING AND MODIFYING PORTIONS OF THE PLANNING COMMISSION'S EVALUATION UNDER THE RESIDENTIAL DEVELOPMENT CONTROL SYSTEM FOR EIGHT RESIDENTIAL PROJECTS IN THE FISCAL YEAR 2006-07 AND FISCAL YEAR 2007-08 COMPETITION.

WHEREAS, the City Council received eight applications appealing the January 25, 2005, Planning Commission evaluation of proposed residential developments pursuant to Chapter 18.78 of the Morgan Hill Municipal Code; and

WHEREAS, pursuant to Section 18.78.130 of the Municipal Code, the City Council serves as the appellate body in matters relating to the evaluation the Residential Development Control System; and

WHEREAS, the City Council conducted separate appeal hearings for each application at a meeting held on February 23, 2005; and

WHEREAS, the City Council has determined that the final project scores should remain as approved by the Planning Commission in most categories, however, the final scores should be modified in others as set forth below; and

WHEREAS, testimony received at the appeal hearings, along with exhibits and drawings and other materials have been considered in the review process;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MORGAN HILL THAT:

SECTION 1: FINDINGS FOR APPEAL APPLICATION AP-05-01/MC-04-13: BARRETT- ODISHOO:

- A. The City Council finds that the Planning Commission correctly evaluated this project by awarding no points under Section B.4 of the Orderly and Contiguous category and B.1 of the Livable Communities category. The project is not yet an on-going development as defined in Section B. 4 of the scoring criteria. The scoring under B.1 of the Livable Communities category is based on a majority or super majority vote of the Planning Commission. This was a change in the methodology from the prior competition and factored into why repeat projects scored differently. Prospective applicants were advised of this change in the scoring methodology prior to the competition.
- B. The City Council finds that the project is entitled to an additional point under Section B.1.e of the Landscape and Lighting category because the project received the same point in the prior competition and prospective applicants were not advised prior to the current competition that lot widths would be factored into the consideration for this year's scoring.

SECTION 2: FINDINGS FOR APPEAL APPLICATION AP-05-02/MC-04-12: E. DUNNE – DEMPSEY:

- A. The City Council finds that the Planning Commission correctly evaluated this project by awarding no points under Section B.4 of the Orderly and Contiguous category and B.1 of the Livable Communities category. The project is not yet an on-going development as defined in Section B. 4 of the scoring criteria. The scoring under B.1 of the Livable Communities category is based on a majority or super majority vote of the Planning Commission. This was a change in the methodology from the prior competition and factored into why repeat projects scored differently. Prospective applicants were advised of this change in the scoring methodology prior to the competition.
- B. The City Council finds that the project is entitled to an additional point under Section B.1.e of the Landscape and Lighting category because the project received the same point in the prior competition and prospective applicants were not advised prior to the current competition that lot widths would be factored into the consideration for this year's scoring.

SECTION 3: FINDINGS FOR APPEAL APPLICATION AP-05-03/MC-04-08:CENTRAL-DELCO:

- A. The City Council finds that the Planning Commission correctly evaluated this project by awarding no points under Section B.5 of the Orderly and Contiguous category. The master plan does not give strong consideration to density transition and use of common open space, as described in the Project Narrative. Specifically, the size of the interior lots (Lots 22, 23, 24, and 25) are considerably larger than the lots they back onto. Also, the open space area could be better aggregated with the elimination of the open space corridors between Lots 4/5 and Lots 13/14.
- B. The City Council finds that the project is entitled to an additional point under Section B.1.e of the Landscape and Lighting category because the project received the same point in the prior competition and prospective applicants were not advised prior to the current competition that lot widths would be factored into the consideration for this year's scoring.
- C. The City Council finds that the Planning Commission correctly evaluated this project by awarding no points under Section B.1.c of the Natural and Environmental Category. The project application did not indicate whether the trees intended to be preserved are significant under city code. The City Council finds that there is insufficient information available to determine whether significant trees would be preserved.
- D. The City Council hereby affirms the Planning Commission's evaluation under Section B.2.c of the Natural and Environmental Category. The entire project frontage along Butterfield will require sound walls as backyards will have noise levels of 70 dBA according to the General Plan Noise Contour Map. The applicant is proposing only a small landscape buffer between the wall and channel. Other projects have provided much bigger open space areas between units and Butterfield Boulevard.

SECTION 4: FINDINGS FOR APPEAL APPLICATION AP-05-04/MC-04-11: SAN PEDRO-DELCO:

- A. The City Council hereby affirms the Planning Commission's evaluation under Section B.2.c of the Open Space Category. The pedestrian path along the southerly extension of Walnut Grove Drive parallels the city sidewalk along the street frontage and is therefore redundant to the city side walk.
- B. The City Council hereby affirms the Planning Commission's evaluation under Section B.5 of the Orderly & Contiguous category. The Council supports the findings that there are six design flaws as described in the February 23, 2005 staff report on this item that would essentially require the redesign of the master plan.
- C. The City Council hereby affirms the Planning Commission's evaluation under Section B.1.f of the Lot Layout category. The Council supports the findings that there are four minor design flaws and one major design flow as described in the February 23, 2005 staff report.
- D. The City Council hereby affirms the Planning Commission's evaluation under Section B.2.a of the Lot Layout category. The lot layout does not create usable open space. Approximately .34 acres of the project open space is located in a concentrated area behind lots 44-52. The .34 acre calculation does not include the 30-40 ft. wide landscape buffer along Walnut Grove Dr. The overall project has 1.795 acres of open space area however, 47 percent (.84 acres) is located behind the project.
- E. The City Council finds that the project is entitled to an additional point under Section B.1.e of the Landscape and Lighting category because other R-2 projects received the same point in the prior competition and prospective applicants were not advised prior to the current competition that lot widths would be factored into the consideration for this year's scoring.
- F. The City Council hereby affirms the Planning Commission's evaluation under Section B.2.a of the Natural and Environmental category. Not all units are place to provide maximum privacy. Units on lots 46-48 have the same setbacks and same floor plans. The upstairs bedroom windows align with each other. Also, many of the same floor plans face back to back to each other with the same window alignments.
- G. The City Council hereby affirms the Planning Commission's evaluation under Section B.2.c of the Natural and Environmental category. Noise level in the area is 70 dBA according to the General Plan Noise Contour Map; therefore sound walls may be required for units 25 and 26. Excess open space/landscape area is not provided for these units; therefore, the sound walls for these units would not be completely minimized. The Council finds that the Planning Commission did award one point, but not the full two points requested.

SECTION 5: FINDINGS FOR APPEAL APPLICATION AP-05-05/MMC-04-07: GINGER-CUSTOM ONE:

- A. The City Council hereby affirms the Planning Commission's evaluation under Section B.1 of the Circulation Efficiency category relating to temporary turnarounds. The Council supports the staff finding that the proposed project does not meet the City standard A-21 detail regarding the "Temporary Hammerhead" turnaround. This determination was based on the proposed location of the turnaround and the duration of time the turnaround would be in place as described in the February 23, 2005 staff report on this item.

SECTION 6: FINDINGS FOR APPEAL APPLICATION AP-05-06/MC-04-17: SAN PEDRO-ALCINI:

- A. The City Council finds that the project is entitled to point under Section B.2 of the Schools category for being within 1.5 miles of a high school. The criterion under Section B.2 does not distinguish between the School District two larger comprehensive high schools on the one continuing high school. Therefore, one point can be supported because a safe walking route already exists.
- B. The City Council hereby affirms the Planning Commission's evaluation under Section B.1.b of the Open Space category. The project was given the same consideration and was awarded three points by the Planning Commission under criterion B.1.b of the Open Space Category as requested.
- C. The City Council finds that the Planning Commission correctly evaluated this project by awarding no points under Section B.1.c of the Natural and Environmental Category. The project application did not indicate whether the trees intended to be preserved are significant under city code. The City Council finds that there is insufficient information available to determine whether significant trees would be preserved.
- D. The City Council finds that the project is entitled to one additional point under Section B.8 of the Livable Communities category. Upon closer staff examination of the applicant's cost estimate for the work along Monterey Road, staff agrees with the \$37,545 engineer's estimate. This higher cost is sufficient to award the project the full two points under this criterion.

SECTION 7: FINDINGS FOR APPEAL APPLICATION AP-05-07/MC-04-21: BARRETT-SYNCON HOMES:

- A. The City Council hereby affirms the Planning Commission's evaluation under Section B.1.c of the Natural and Environmental category. The criterion requires the number of trees preserved in a project to be proportional to project size. This project is preserving one tree within a 52 unit development. Other projects in the competition, in one case, with fewer lots, preserved greater numbers of trees and were awarded the maximum two points. While the Council notes that the tree in question may be approximately 300 years old, the criterion does not give allowance in instances where the tree to be preserved is very old.
- B. The City Council finds that the Planning Commission correctly evaluated this project by awarding no points under Section B.1 of the Livable Communities category. The scoring

under B.1 of the Livable Communities category is based on a majority or super majority vote of the Planning Commission. This was a change in the methodology from the prior competition and factored into why repeat projects scored differently. Prospective applicants were advised of this change in the scoring methodology prior to the competition.

SECTION 8: FINDINGS FOR APPEAL APPLICATION AP-05-08/MC-04-04: DIANA-CHAN:

- A. The City Council finds that the Planning Commission correctly evaluated this project by awarding no points under Section B.1 of the Livable Communities category. The scoring under B.1 of the Livable Communities category is based on a majority or super majority vote of the Planning Commission. This was a change in the methodology from the prior competition and factored into why repeat projects scored differently. Prospective applicants were advised of this change in the scoring methodology prior to the competition.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Special Meeting held on the 23rd Day of February, 2005 by the following vote.

AYES: **COUNCIL MEMBERS:**
NOES: **COUNCIL MEMBERS:**
ABSTAIN: **COUNCIL MEMBERS:**
ABSENT: **COUNCIL MEMBERS:**

🏛️ CERTIFICATION 🏛️

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Resolution No. , adopted by the City Council at a Special Meeting held on February 23, 2005.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

IRMA TORREZ, City Clerk



REDEVELOPMENT AGENCY

MEETING DATE: *February 23, 2005*

Agenda Item # 11

Prepared By:

BAHS Analyst

Approved By:

BAHS Director

Submitted By:

Executive Director

CASA DIANA MIXED-USE HOUSING PROJECT PREDEVELOPMENT LOAN

RECOMMENDED ACTION(S): 1) Approve the concept for the development of Casa Diana, a transit-oriented, mixed-use housing-commercial project; 2) Authorize the Executive Director to do everything necessary and appropriate to negotiate, execute and implement a predevelopment loan agreement in the amount of \$50,000 with EAH.

EXECUTIVE SUMMARY: In response to the Downtown Request for Proposals (RFP), EAH, Inc. submitted a conceptual plan and financial proposals for Casa Diana, a mixed-used and transit-oriented affordable housing and commercial use project. The Casa Diana site comprises two parcels totaling 2.8 net acres between East Dunne and Diana Avenues including a vacated portion of Railroad Avenue (see map). It is directly across Diana Avenue from the proposed Courthouse parking lot, and is part of the Planned Unit Development (PUD) for the entire block. The proposed project consists of 80 one, two and three-bedroom apartments with approximately 3,500 square feet of commercial space on Diana Avenue. The apartments would be a combination of market and below-market rate units.

On December 15, 2004, the Morgan Hill Redevelopment Agency approved a recommendation by staff and the City Council's Economic Development Subcommittee, to consider Casa Diana separately from the RFP process. EAH has been working on this project for several months and has had to make a non-refundable deposit as part of the purchase agreement. To assist EAH with these carrying costs, staff is recommending a predevelopment loan of \$50,000 to reimburse that purchase deposit. The predevelopment loan would be deferred and interest free. It would be incorporated as part of the larger property purchase loan which staff anticipates bringing to the Agency for its consideration in April.

In the event EAH and the Agency are unable to agree to funding terms or the development for this project, the predevelopment loan includes a provision granting the Agency an assignment right to the property purchase agreement. The Agency would be able to exercise that right in return for forgiving the predevelopment loan. This provision would allow EAH to recover its costs and would grant the Agency the flexibility to control the future development of the site.

The Agency and EAH are currently working on developing a plan which complements the courthouse and the downtown. One condition is that EAH master plan the entire PUD site. The master plan requirement ensures that Casa Diana and future developments present a cohesive design that addresses concerns for commercial uses, including the integration of Mama Mia's Restaurant. The number of market and below-market rate units, as well as the amount of commercial space, would be better defined as part of the master plan process.

FISCAL IMPACT: There are sufficient housing funds in the BAHS FY04-05 budget for the \$50,000 Predevelopment Loan. Current financial proposals estimate Agency assistance to the project from \$3 million to \$7.5 million depending on the number and mix of units. The amount of, and loan terms for, project funding would be brought back to the Agency Board for approval.



CITY COUNCIL STAFF REPORT

MEETING DATE: *February 23, 2005*

PUBLIC ART AT THE MORGAN HILL TRAIN STATION

RECOMMENDED ACTION(S): Commit \$50,000 in Metropolitan Transportation Commission (MTC) "Transportation for Livable Communities" (TLC) grant funds to the Arts and Cultural Alliance of Morgan Hill (ACA) for a bronze sculpture entitled "Waiting for the Train," contingent upon the ACA raising matching funds in the amount of \$52,000 plus site preparation costs by March 1, 2006.

EXECUTIVE SUMMARY: In Spring 2004, the ACA, a program under the Morgan Hill Community Foundation, developed a long-range plan for the development and placement of public art objects in the City. This plan consists of site specific projects. Included in the plan is a life-size bronze sculpture at the City's train station of Hiram Morgan Hill, his wife Diana, and their daughter Diane in 1891 waiting for the train to take them to San Francisco. The piece is entitled "Waiting for the Train." The artist, Morgan Hill resident Marlene Amerian, has created an initial concept 1/16 life size clay model, depicted in the attached "Proposal for Life Size Bronze Sculpture prepared by the ACA. The ACA estimates that the project will cost approximately \$102,000 plus site preparation costs.

In December 2004, the City of Morgan Hill received confirmation that its Depot Street Project was awarded \$2.6 million from the Metropolitan Transportation Commission's "Transportation for Livable Communities" capital grant program. This amount includes \$50,000 for public art.

The ACA is requesting that the City: 1) commit the portion of the MTC grant for public art (\$50,000) for the development of the statue, 2) accept ownership and maintenance of the statue when completed, 3) allow the placement of the statue at the Morgan Hill Station (Station), and 4) commit and advance \$52,000 plus the site preparation costs to the ACA to cover the remaining costs of the statue. The ACA will actively work to raise money to reimburse the City. If there is a shortfall after the fundraising effort is complete, the ACA requests that the City consider this its contribution to public art (see attached request). The ACA is planning to unveil the statue in time for the Morgan Hill Centennial celebration in 2006. Since it will take approximately a year to create the sculpture, the ACA would need to immediately begin the art development process.

While staff concurs that the proposed sculpture would be a good fit for the Station, staff recommends that the City's commitment of the \$50,000 in MTC funds be contingent upon the ACA meeting its full \$52,000 fundraising goal. If the ACA is unable to secure the funds within 12 months, the City would reserve the right to allocate its MTC funds to another project, giving the City time to pursue other art options within the grant deadlines. This would mean that the statue would most likely not be completed and installed for the Centennial celebration.

FISCAL IMPACT: There would be no financial impact to the City if the City Council requires that the ACA obtain the outstanding funds (\$52,000 plus site preparation costs) before proceeding with the sculpture project. If the City concurs with the ACA's request for "up front" funding, the City would need to identify the funding source for the \$52,000 plus the site preparation costs

Agenda Item # 12

Prepared By:

BAHS Manager

Approved By:

BAHS Director

Submitted By:

City Manager



CITY COUNCIL STAFF REPORT

MEETING DATE: February 23, 2005

AMENDMENT OF ORDINANCE NO. 1616 REGARDING THARALDSON PUD

Agenda Item # 13

Approved By:

**Community
Development Director**

Submitted By:

City Manager

RECOMMENDED ACTION(S): Direct staff to proceed with an amendment to the PUD to allow In'n'Out restaurant to proceed without requiring construction of sit-down restaurant prior to issuance of building permit for In-N-Out and consider better defining the term sit down restaurant.

EXECUTIVE SUMMARY:

The original Tharaldson PUD required two sit-down restaurants. On May 7, 2003 the City Council adopted Ordinance No. 1616, which amended the PUD to allow one fast food with drive-through (In-N-Out) and one sit-down restaurant. The Council established a two-year time limit for the amendment. The Council also included in the ordinance the Planning Commission's recommendation that the building permit for In-N-Out not be issued until the sit-down restaurant is under construction.

At the time the ordinance was adopted, In-N-Out had been working with Applebee's to be the sit-down restaurant, but ultimately Applebee's decided not to proceed. In-N-Out and the City worked to identify and hold discussions with other desirable sit-down restaurants, but none desired to proceed. However, Denny's restaurant has recently submitted an application for Architectural and Site Review, and a preliminary review of the application by ARB is scheduled for February 17, 2005.

Given that the two-year time limit is scheduled to expire soon, and it will be several more months (at least) until a sit-down restaurant will be ready to pull a building permit, the Council's Community and Economic Development Committee (CEDC) decided that it would be worthwhile for the City Council to consider the timing issues affecting In-N-Out and this PUD. Specifically, the CEDC is recommending that the Council consider modifying the PUD to allow In'n'Out to proceed with its development without waiting for the construction of a sit down restaurant. In addition, the Council may also want to consider adding a definition of sit down restaurant in the amendment. Staff has found that sit down restaurants can be classified as a family diner/coffee shop, bar & grill, buffet, and fine dining restaurants. These categories are subjective and have many sub-sets, but it would allow the Council to better define the type of sit-down restaurant it wants in a gateway location. Given the CEDC just met on February 15th to discuss this issue, there has been insufficient time for In'n'Out to consider this proposed amendment. However, our expectation is that In'n'Out will be able to respond to this request at the meeting. It should be noted that In'n'Out has submitted an application to amend the PUD to allow for a 12 month time extension. This request goes to the Planning Commission for consideration on February 22, 2005.

Should the Council approve the CEDC's recommendation, staff would need to prepare the necessary amendment to the PUD ordinance. We would anticipate returning to City Council in March 2005 for a public hearing on the proposed changes. The recommended proposed change would render In'n'Out's amendment for time extension a moot issue. Should Council not approve the CEDC's recommendation, no further action will be taken by staff.

FISCAL IMPACT: Changes in PUD timing conditions could affect timing of city receipt of fees and sales taxes associated with the construction and operation of the restaurant(s).



CITY COUNCIL STAFF REPORT
MEETING DATE: February 23, 2005

Agenda Item # 14

Submitted By:

City Manager

CONSIDERATION OF COUNCIL'S 2005 GOALS

RECOMMENDED ACTION(S):

Review Draft Goals and adopt or revise as appropriate.

EXECUTIVE SUMMARY:

Earlier this year, the Council conducted its annual goal setting retreat. The Council worked through a very extensive agenda of topics and was able to develop consensus on many issues that were to be included in formal goals to be adopted at a regular Council meeting.

The attached DRAFT document was prepared by the City Manager using the notes recorded on the large sheets taped to the walls during the retreat.

The draft should be reviewed carefully to see if it is complete and if it properly reflects the Council's consensus.

If there are revisions, the Council may want to ask that a "final" goals document be presented at a subsequent meeting for formal adoption.

FISCAL IMPACT:

None.

City of Morgan Hill

City Council Policies and Goals for 2005

--D R A F T--

February 23, 2005

City Budget

Policy: Council will periodically survey community awareness and opinions on municipal services and financing options, and use the information in long range budget planning.

Goal: By April 2005, the Financial Policy Committee will report the results of a statistically significant random sample of Morgan Hill voters on issues relating to the Sustainable Budget Strategy. Thereafter, the Council will adopt an approach to conducting a community wide conversation about the appropriate level and mix of city services and a strategy to finance them.

Policy: Council endorses a funding strategy that increases the importance of user fees for financing those services that have less than a community wide benefit.

Policy: Council adopts a policy of using a portion of General Fund reserves for investments to “save or gain.” The portion of General Fund reserves that is less than the targeted 25% level and more than the absolute lower limit of 10% may be used for investments with the potential for very high returns either through expanded tax base or reduced operating costs.

Goal: By May 15, 2005, the City Manager will prepare recommendations for possible investments to “save or gain.”

Goal: By December 2005, the Financial Policy Committee will develop recommendations for that period after the Sustainable Budget has been achieved, which would address the use of reserve amounts that might exceed the targeted 25% level.

Redevelopment

Goal: By November 2005, the City Manager and City Attorney will report on options for amending the Redevelopment Plan including consideration of the “tax increment cap” and implementation strategies for addressing remaining blight.

Economic Development

Policy: Council will encourage new private investment in jobs and tax base through implementation of the adopted Economic Development Strategy.

Goal: By December 2005, The Utilities and Environment Committee should study the potential of “community aggregation” of electric power demand for the purpose of reducing the cost of electricity for Morgan Hill businesses and residents.

Goal: By April 2005, the Community and Economic Development Committee will evaluate the adopted Auto Dealership Strategy and recommend revisions, if appropriate, and suggest a strategy for implementation.

Goal: By April 2005, the full Council will agendize the “Economic Development Inhibitors” identified in the FY 05 Budget, and consider changes in policies or procedures.

Organizing for Public Policy

Policy: Council appreciates the work of its citizen appointed committees and commissions, and will provide support and guidance through the review of annual work plans to be submitted by each group.

Goal: By February 2005, Council will consider the City Manager’s report and recommendations for reorganizing the Council’s own committee system, and make appointments to five new standing committees.

Goal: Prior to the 2006 goal setting retreat, Councilmember Grzan will provide a report on the “pros and cons” of becoming a Charter City.

Civic Engagement

Goal: By July 2005, the Mayor will suggest a process for building community consensus on a vision for the future, while recognizing the need to avoid confusion with other initiatives.

Medical Services

Policy: To ensure accountability for the \$500,000 allocated and to monitor implementation of the Medical Services Policies, Council requests the Morgan Hill Community Health Foundation to provide semi annual reports to the public.

Schools

Policy: Council supports a role for city government in preserving the K-12 public education system.

Goal: By September 2005, the City/Schools Liaison Committee should prepare recommendations for a written policy outlining objectives, roles and responsibilities for a more formal City-Schools partnership.

Regional Soccer Complex

Goal: By April 2005, Council will receive a written business proposal from sponsors of a new regional soccer complex near Sobrato High School, and determine the City's or RDA's role.

Fire Services

Goal: Include funding in the FY 06 budget for a feasibility study and recommendations for transitioning to a coordinated and integrated system of fire and emergency medical services for South County.

High Speed Rail

Goal: By September 2005, the Regional Planning and Transportation Committee will recommend a position for Morgan Hill to adopt on high speed rail including alignment and station locations.

Environmental Issues

Goal: By April 2005, the Planning Commission will submit a work plan which will include developing recommendations for integrating creeks and streams into subdivisions.